

Dependable Power. Dependable People.

Santee Cooper — Dependable Power, Dependable People.

Construction of the Santee Cooper project began on April 18, 1939, with the first electricity generated on Feb. 17, 1942, from the Pinopolis Power Plant, (renamed Jefferies Hydroelectric Station in 1966), a five-unit hydroelectric facility near Moncks Corner.

Santee Cooper serves nearly 131,000 retail customers in Berkeley, Georgetown and Horry counties and supplies power to the municipalities of Bamberg and Georgetown, 32 large industries, and one military installation. The state-owned electric and water utility generates the power distributed by the state's 20 electric cooperatives to almost 600,000 customers in the state's 46 counties. Over 1.6 million South Carolinians receive their power from Santee Cooper.

In addition to its original hydroelectric station, the utility operates four large-scale, coal-fired generating stations in South Carolina: Jefferies Station in Moncks Corner; Cross Station in Cross; Winyah Station in Georgetown; and Grainger Station in Conway.



Two above-ground storage tanks hold approximately 2 million gallons of liquid fuel for use at the Rainey Generating Station.

Santee Cooper also owns and operates combustion turbine-peaking units at Myrtle Beach and Hilton Head Island, and a small hydroelectric unit at the Santee Dam.

The utility has a one-third ownership in the V.C. Summer Nuclear Station near Jenkinsville.

In 2001, Santee Cooper became the first utility in South Carolina to

offer green power. Electricity is generated using methane gas from the Horry County Solid Waste Authority.

In October 1994, the Santee Cooper Regional Water System began commercial operation. This signaled a new era in Santee Cooper service to South Carolina. The citizens of Moncks Corner, Goose Creek and Summerville, and customers of the Berkeley County Water & Sanitation Authority, some 94,000 water users, are the beneficiaries of this stable supply of one of life's most precious commodities.



Santee Cooper has 4,386 miles of transmission lines all across South Carolina.

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Cover: Construction continued throughout the year on Santee Cooper's 500-megawatt, combined-cycle John S. Rainey Generating Station near Iva, S.C. The combined cycle unit began commercial operation on Jan. 1, 2002. Pictured at top, from left to right are Earl Fouch, auxiliary operator; Donna Burnette, technician A; Aaron Langdale, technician A; and Kathy Jones, Stores specialist, all Rainey Station employees.

MISSION STATEMENT

The mission of Santee Cooper is to be the state's leading resource for improving the quality of life for the people of South Carolina.

To fulfill this mission, Santee Cooper is committed to:

- being the lowest-cost producer and distributor of reliable energy, water, and other essential services;*
- providing excellent customer service;*
- maintaining a quality workforce through effective employee involvement and training;*
- operating according to the highest ethical standards;*
- protecting our environment; and*
- being a leader in economic development.*

ENERGY SALES

Direct Retail Service

At the end of 2001, Santee Cooper was serving 130,897 residential, commercial, and other retail customers located in Berkeley, Georgetown, and Horry counties. This was an increase of 2 percent over 2000. Sales to these retail customers were 3,084 gigawatt-hours, up 1 percent from the previous year.

Military & Large Industrial

Military and large industrial sales were up 1 percent over the previous year.

Wholesale

Sales to the Central Electric Power System and Saluda River Electric Cooperative Inc. for their member cooperatives increased 7 percent.

Central is Santee Cooper's largest single customer. These electric cooperatives distribute power to almost 600,000 customers across the state.

Santee Cooper also provides electricity to the municipalities of Bamberg and Georgetown. Sales to these municipalities decreased 3 percent.



Santee Cooper's corporate headquarters are located in Moncks Corner, S.C.

EXECUTIVE SUMMARY

We saw tremendous changes in 2001, as a nation, as Americans, and as a company. Following the terrorist attacks on Sept. 11, 2001, our whole world changed. As American citizens, our freedom was challenged. We have changed the way we do so many things that have long been a part of our normal lives. Many businesses, including Santee Cooper, improved procedures to protect our employees and facilities.

Despite many challenges, it was nevertheless a good year at Santee Cooper. We are steadfast in our mission to generate, transmit and distribute low-cost electricity with excellent customer service.



John H. Tiencken Jr., President and CEO

Leadership and Management

H. Donald McElveen, P.E., Santee Cooper’s new board chairman, was confirmed by the South Carolina Senate on Aug. 30, 2001. He is a professional engineer and a founding partner of GMK Associates Architects and Engineers of Columbia, S.C.

Management changes this year included the promotions of Elaine Peterson and Lonnie Carter to the executive management team. Peterson was promoted to senior vice president of Administration and Finance. Carter was promoted to senior vice president of Corporate Planning and Bulk Power.

Generation

Santee Cooper is preparing for the future by adding new electric generation. As South Carolina’s population continues to grow, we’re meeting the energy needs of our customers. With 40 percent of the state’s population receiving Santee Cooper power, we have committed to our customers that they will not experience the electricity shortages and high costs of power which occurred recently in California.

In 1999, Santee Cooper began construction on a 500-megawatt combined-cycle unit and two 150-MW combustion turbines for an 800 MW generating facility in Anderson County. This is Santee Cooper’s first venture in natural gas-fueled base load generation. The combined-cycle unit at the John S. Rainey Generating Station began commercial operation on Jan. 1, 2002, with construction costs totaling \$347 million. Completion of the combustion turbines is expected in 2002. This facility was completed on time and under budget and will bring increased fuel diversity to our generation portfolio.

In November, the board of directors approved the construction of three additional 80-MW generating units at Rainey Station. Construction on this \$120 million project will begin in spring 2002, with commercial operation in January 2004. Upon completion, the total generating capability at this station will be approximately 1,040 MW.

Also, in May, the board approved the construction of an additional 600-MW unit at Cross Station in Berkeley County. Work on the \$675 million project is underway, with an expected commercial operation date of January 2007.

Santee Cooper became the first utility in the state to provide a green power alternative for customers. The Green Power facility near Conway, S.C. generates electricity using methane gas produced from the county’s landfill. The \$2.5 million plant went into commercial operation Sept. 4 and provides 2 MWs of renewable resource generation. Santee Cooper’s residential and commercial customers can purchase green power in 100 kilowatt-hour and 200 kilowatt-hour blocks, respectively. Funds generated from the sale of green power will be used to fund future renewable energy projects. This joint project was accomplished with the help of the Horry County Solid Waste Authority and Horry Electric Cooperative.

Transmission

In June, Santee Cooper was asked to join a diverse group of other utilities across Alabama, Florida, Georgia and Mississippi to explore the mutual benefits of forming a Regional Transmission Organization or RTO. Known as SeTrans, this would be one of the nation’s largest RTOs, covering more than 39,000 miles of transmission with assets valued at approximately \$6 billion. The future of this new arrangement is dependent upon several factors, including the receipt of the requisite approvals from the Federal Energy Regulatory Commission and other applicable regulatory agencies. In addition, for each of the FERC non-jurisdictional transmission owners participating in the SeTrans process, a precondition to entering into this new arrangement is careful review of the final SeTrans structure and a cost-benefit analysis that would demonstrate that subjecting one’s transmission system to this arrangement would provide an overall benefit to the transmission owner’s native load customers.

New Service Area

On Jan. 1, 2001, all of the state’s 20 electric cooperatives were, for the first time, receiving their power from Santee Cooper. Members of five Upstate cooperatives (Blue Ridge Electric Cooperative, Broad River Electric Cooperative, Laurens Electric Cooperative, Little River Electric Cooperative, and York Electric Cooperative) began receiving Santee Cooper power, bringing the total number of ultimate electric cooperative member-consumers to about 600,000.

Distribution

Excellent customer service has always been an essential part of Santee Cooper’s mission. Once again, we have received excellent marks for our work in this area. According to survey results released in November, 99.3 percent of our residential electric customers were satisfied with Santee Cooper’s performance, well above the national average for utilities.

Santee Cooper has added new features to its customer service menu. We now provide an interactive voice-response system and e-Billing to better serve our customers. Customer growth continued to be strong at 2 percent for 2001. Santee Cooper now provides electric service to almost 131,000 retail customers in our direct service territory of Berkeley, Georgetown and Horry counties.

New franchise agreements were signed in 2001 with the cities of Myrtle Beach and Moncks Corner, along with a 10-year contract extension with the Bamberg Board of Public Works.



H. Donald McElveen, Chairman of the Board

Financial Standing

In August, the Santee Cooper Board of Directors authorized the sale of \$54.89 million of revenue bonds to finance a portion of the \$397 million Rainey Station. The debt was issued at an all in true interest rate of 4.734 percent.

Also in August, the board authorized two separate refundings. First, \$113.38 million 1992 Series A Bonds were refunded with a gross savings of \$15.1 million. Later in the month, \$10 million in 1991 Series B bonds were refunded with a gross savings of \$1.23 million over the life of the bonds.

At the end of 2001, Santee Cooper had approximately \$2.2 billion in bonds outstanding. Our bonds continued to be highly rated. We have maintained AA ratings with Moody’s and Fitch and AA- with Standard & Poor’s.

Santee Cooper had \$1 billion in revenues during 2001 and income before contributions and transfers which totaled \$66.5 million.

Our People

Santee Cooper’s diverse, talented and competent employees are to be commended for their hard work. Their efforts and loyalty through the years have contributed greatly to making Santee Cooper what it is today. Dedication to providing superb customer service and dependable power from dependable people is what keeps Santee Cooper one of America’s most resourceful electric utilities.

John H. Tiencken Jr.

John H. Tiencken Jr.
President and Chief Executive Officer

H. Donald McElveen

H. Donald McElveen, P.E.
Chairman
Board of Directors

Calendar Year	2001	2000	1999	1998	1997
Total Electric Revenue (in thousands of dollars)	968,795	858,458	810,572	772,157	724,211
Interdepartmental Sales of Electricity and Water	(300)	(260)	(230)	(223)	(239)
Total Electric Revenue-Net of Interdepartmental Sales (in thousands of dollars)	968,495	858,198	810,342	771,934	723,972
Water System	4,544	4,217	3,824	3,705	3,852
Total Operating Revenues (in thousands of dollars)	973,039	862,415	814,166	775,639	727,824
Operating & Maintenance Expenses Charged to Operations (in thousands of dollars)	627,493	541,515	480,371	446,537	429,209
Sums in Lieu of Taxes Charged to Operations ⁽¹⁾ (in thousands of dollars)	2,521	2,490	2,238	2,134	2,203
Payments to the State (in thousands of dollars)	9,216	8,497	7,883	7,605	7,462
Net Operating Revenues Available for Debt Service (in thousands of dollars)	366,435	354,114	354,830	345,498	317,940
Income Before Contributions and Transfers (in thousands of dollars) ⁽²⁾	66,510	74,817	47,384	39,345	13,596
Energy Sales (in gigawatt-hours)	22,400	22,139	20,281	19,466	18,437
Number of Customers (at year end)					
Retail	130,897	128,513	124,647	119,470	114,290
Military and Large Industrial	33 ⁽⁴⁾	35	35	33	33
Wholesale ⁽³⁾	5	4	4	5	5
Total	130,935	128,552	124,686	119,508	114,328
Summer Peak Generating Capability (net megawatts)	3,520	3,518	3,518	3,518	3,360
Power Requirements and Supply (in gigawatt-hours)					
Generation: Hydro	220	301	304	571	520
Steam	18,581	19,206	17,165	15,933	15,401
Combustion Turbine	12	33	46	41	7
Nuclear	2,243	2,113	2,450	2,723	2,412
Landfill Methane Gas	4				
Total (in gigawatt-hours)	21,060	21,653	19,965	19,268	18,340
Purchases, Net Interchanges, etc. (in gigawatt-hours)	1,445	170	408	506	310
Total Territorial Energy Sales (in gigawatt-hours)	22,505	21,823	20,373	19,774	18,650
Territorial Peak Demand (in megawatts)	4,803	3,876	3,729	3,523	3,336

(1) Amounts accrued for payment to the municipalities as franchise fees are not included. Amounts totaled \$2,679,000 for 2001, \$2,544,00 for 2000, \$2,427,000 for 1999, \$2,333,000 for 1998, and \$2,168,000 for 1997.
(2) Prior year amounts for 1997 have been re-stated to conform to current year presentation.
(3) Does not include non-firm sales to other utilities.
(4) The number of facilities served by the Authority under the Large Light & Power category has not decreased; however, one facility previously served under three service agreements is now served under one service agreement.

COMPARATIVE HIGHLIGHTS

Calendar Year	2001	2000	% Change
Total Revenues & Income	\$ 999,925	\$ 912,206	9
Total Expenses & Interest Charges	896,834	816,346	9
Other	(36,581)	(21,043)	57
Income Before Contributions and Transfers	\$ 66,510	\$ 74,817	(12)
Debt Service Coverage (w/o Commercial Paper)	1.79 times	1.81 times	—
Debt/Equity Ratio (w/o Commercial Paper)	69/31	73/27	—
Financial (in thousands of dollars)			



Some 1.6 million South Carolinians receive power generated by Santee Cooper.

POWER

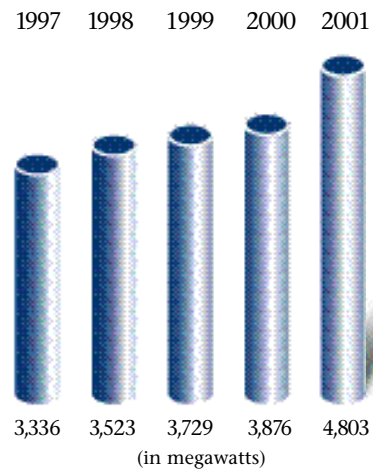
Santee Cooper adds generating capacity
to meet forecast demands.

The combined-cycle portion of the John S. Rainey Generating Station, Santee Cooper's first major venture into natural gas-fired electric generation, was completed by year's end. The Rainey Station is Santee Cooper's first wholly owned electric generating facility constructed outside the state's Lowcountry and Pee Dee areas. The 500-megawatt combined-cycle unit, which began commercial operation on Jan. 1, 2002, features two combustion-turbine generators and one steam-turbine generator. The station's two 150-MW simple-cycle generators are slated for commercial operation in the spring of 2002.

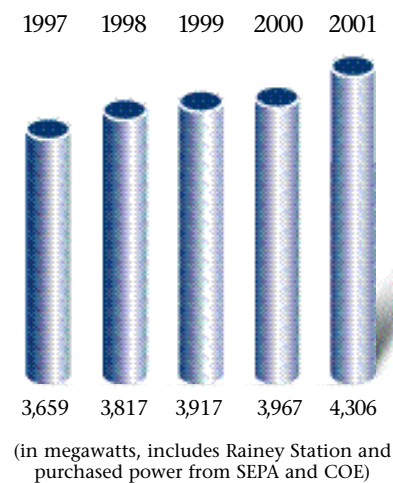
- *In November, the Santee Cooper Board of Directors voted to construct three additional 80-MW combustion-turbine units at Rainey Station. The \$120 million project is scheduled for completion by 2004.*
- *The new units bring the station's total cost to \$517 million and total generating capability to 1,040 megawatts. This new station will be the third largest generating facility on the Santee Cooper system.*
- *By comparison, the Cross Station's capability is 1,160 MWs, nearly matched by Winyah Station's 1,155 MWs.*

Generating electricity is one thing. Getting the power where it needs to go is another. Completion of the 30-mile long Rainey-Greenwood County 230-kilovolt double-circuit transmission line, and the Rainey 230-kV switching station, were projects critical to Rainey Station's successful startup.

Territorial Peak Demand



Capacity



SEPA=Southeastern Power Administration
COE=U.S. Army Corps of Engineers

Based on load forecasts, even more generation is needed. In May, the board authorized a third coal-fired unit at the Cross Station. The 600-MW unit, costing \$675 million, is projected to enter commercial operation no later than 2007.

With a total of 1,760 MWs online, Cross will become Santee Cooper's largest station in terms of generating capability.



Cross Generating Station has a generating capacity of 1,160 megawatts.

Green Power: A first for South Carolina.

Santee Cooper, as well as South Carolina, had another electric generation "first" in 2001. The Horry County Landfill Gas Generating Facility began commercial operation in September. Methane gas, produced from decaying refuse at the landfill provides fuel for the small plant.

The plant was dedicated in October with Gov. Jim Hodges giving the keynote address before a host of dignitaries.

Using two Austrian-built V-20 engines, the plant can produce 2 MWs of power. Another unit has been ordered, and additional studies are underway to determine if the site can accommodate more units.

The landfill gas project was truly a cooperative project. The Horry County Solid Waste Authority constructed and owns the gas collection and blower system. Santee Cooper owns the generators and associated equipment. Because Santee Cooper lines were not in close proximity to the site, Horry Electric Cooperative rebuilt their line to allow power from the plant to enter the grid.

It's called "Green Power" because the fuel is produced from a renewable resource. Santee Cooper began offering Green Power to its Horry and Georgetown county customers in October. The Green Power program is entirely voluntary. A total of 328 customers, purchasing 2,658 100 kWh blocks of power, signed up in 2001. Because it generally costs more to produce Green Power than electricity produced from

conventional sources, customers pay a 3 cents per kilowatt-hour premium. Money from premiums is being set aside to fund future renewable energy projects. Initially, Green Power is being offered to customers of Horry Electric Cooperative and Santee Electric Cooperative.



Santee Cooper became the first utility in the state to provide green power to its customers.

More customers create more demand for power.

Approximately 6,300 retail customers have been added in the last two years, nearly 2,400 in 2001. Santee Cooper now has approximately 131,000 retail customers.

More customers mean an increased demand for power. The state's population growth in the last decade dramatically shows why Santee Cooper is actively constructing new generation.

According to the U.S. Census Bureau, the state's population grew 15.1 percent from 1990 to 2000. This ranked South Carolina as the 15th fastest growing state in the nation.

Horry County, one of three counties where Santee Cooper has retail customers, showed the most dramatic increase, growing 36.5 percent. This translated into nearly 53,000 more residents, all of whom expect reliable and affordable electricity.

Georgetown County grew 18 percent, adding 9,500 people while Berkeley County's decade of growth was 11 percent or 34,500 additional citizens.

Santee Cooper set an all-time record for power delivery on Jan. 4 when 4,803 MWs were delivered between 7 and 8 a.m. The all-time demand record was the third in as many days.



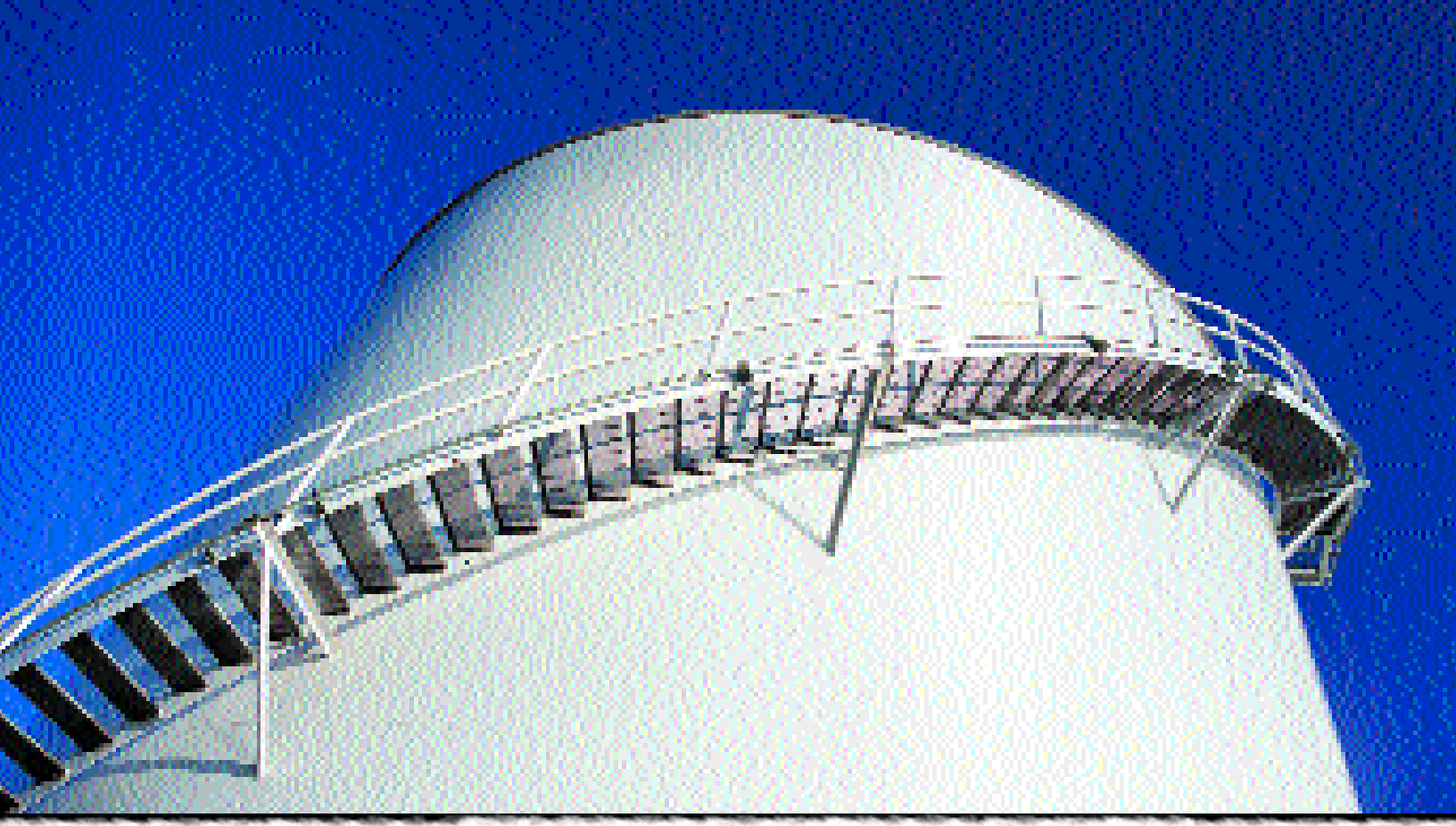
Santee Cooper Chairman Donald McElveen, Gov. Jim Hodges, Horry County Council Chairman Chad Prosser, and Horry County Solid Waste Authority Chairman Carson Benton pull a symbolic switch signifying the start of green power generation.

Santee Cooper line crews restore power quickly.

Weather is a threat to Santee Cooper's ability to deliver reliable power. Fortunately, a hurricane did not threaten South Carolina in 2001. But on July 6, two separate afternoon tornadoes struck Myrtle Beach.

The twisters injured 36 persons, hospitalized 30 and caused \$6.5 million in damages to buildings and at least \$1 million in damages to vehicles. Thousands lost power and crews went into action as soon as the threat of severe weather subsided. Tornadoes are a threat any time of year in South Carolina and last summer's experience was a dramatic reminder to monitor weather conditions.

Power was restored to the majority of Santee Cooper customers in just over 12 hours.



Storage tanks at Rainey Station hold 500,000 gallons of filtered water used in the generation of electricity.

For the first time, Santee Cooper is now a statewide electric utility.

On Jan. 1, Santee Cooper became the source of power for five Upstate electric cooperatives that serve 160,000 member-consumers in 15 counties.

For over half a century, Santee Cooper has been the primary source of power for 15 of the state's 20 electric cooperatives, wholesaling power to Central Electric Power Cooperative. The Columbia-based Central is a transmission cooperative, and beginning in the late 1940s has sold power directly to these distribution cooperatives serving member-consumers in 38 counties.

On New Year's Day 2001, Saluda River Electric Cooperative began receiving power from Santee Cooper under a separate power agreement.

These developments are very significant. For the first time in Santee Cooper's nearly six decades of providing power, Santee Cooper is a statewide electric utility.

Headquartered in Laurens, Saluda River is a generation and transmission cooperative that owns 18.75 percent of

Duke Energy Corp.'s Catawba Nuclear Station's Unit 1 in York County. The cooperative also owns 17 MWs of its own diesel generation and two megawatts of hydroelectric generation. Saluda River is also entitled to 40 megawatts of capacity from the Southeastern Power Administration.

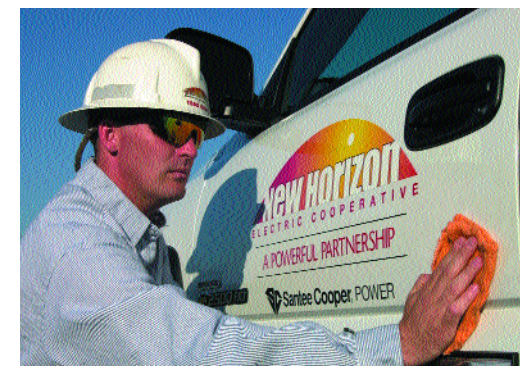
Santee Cooper welcomes Saluda River Electric Cooperative and its member cooperatives, now a member of Central. A new public power and cooperative alliance has been forged that serves the people of South Carolina. Saluda River's member cooperatives are:

- Blue Ridge Electric Cooperative — headquartered in Pickens — serving 55,300 member-consumers in Anderson, Greenville, Oconee, Pickens and Spartanburg counties.
- Broad River Electric Cooperative — headquartered in Gaffney — serving 17,600 member-consumers in Cherokee, Newberry, Spartanburg and Union counties — and North Carolina member-consumers in Cleveland, Polk and Rutherfordton counties.

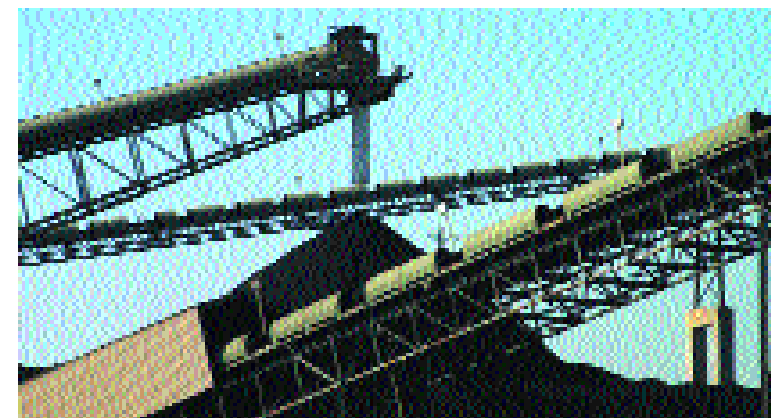
- Laurens Electric Cooperative — headquartered in Laurens — serving 43,250 member-consumers in Abbeville, Anderson, Greenville, Laurens, Newberry and Union counties.
- Little River Electric Cooperative — headquartered in Abbeville — serving 12,600 member-consumers in Abbeville, Anderson, Greenwood and McCormick counties.
- York Electric Cooperative — headquartered in York — serving 31,000 member-consumers in Cherokee, Chester, Lancaster and York counties.

Growth in Central Electric Power Cooperative's territory in 2001 was approximately 3 percent.

Santee Cooper is the direct or indirect source of power for 1.6 million South Carolinians.



A New Horizon employee places a new logo on one of their service vehicles which will help increase awareness of Santee Cooper in the Upstate. The decal identifies Santee Cooper Power as the source of energy for Saluda River Electric Cooperative, for which New Horizon provides transmission services.



Of Santee Cooper's 2001 total power supply, 82 percent was provided by coal-fired generation.

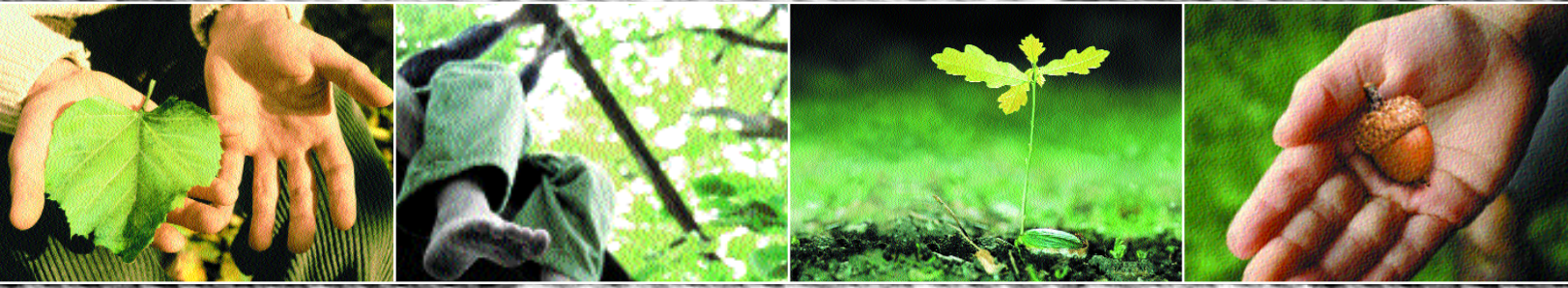
Santee Cooper operates with dependability and efficiency.

For 2001, Winyah Station claimed the top honor in the 17th annual Generation Goals Program. Winyah won by operating below its nonfuel operations and maintenance goal, its net heat-rate target, reducing unplanned outage time and meeting its safety targets.

Santee Cooper and three other publicly owned electric utilities became founding members of Colelectric Partners Inc., a generation alliance. Members are provided information and purchasing leverage related to the development, project management, operations and maintenance areas of their generation, transmission, distribution, gas and infrastructure facilities. Other founders are JEA (formerly the Jacksonville Electric Authority), MEAG Power (the Municipal Electric Authority of Georgia) and the Nebraska Public Power District.

Three of these utilities (Santee Cooper, MEAG and JEA) also founded The Energy Authority in 1997, which is responsible for marketing and trading on Santee Cooper's behalf in the wholesale electric market, as well as managing Santee Cooper's natural gas requirements for its Rainey Station.

Santee Cooper burned approximately 7.1 million tons of coal in 2001. Santee Cooper is taking the fly ash and other combustion byproducts that historically have been waste and is developing uses and markets for these byproducts. Annual utilization of combustion products has reached 47 percent.



In September, Santee Cooper began an awareness program to educate customers about the Green Power program. Some 328 customers have signed up for the program.

Highlights included:

- 315,000 tons of ash were utilized in cement, redi-mix concrete and concrete block.
- 70,000 tons of gypsum produced at Cross Station were shipped to cement plants at Harleyville, S.C.
- Revenues for ash and gypsum sales exceeded \$1.6 million.

The city of Myrtle Beach inked a 20-year franchise agreement extension, and the Bamberg Board of Public Works inked a 10-year contract extension. Santee Cooper has served Myrtle Beach since the mid-1940s. The municipally owned electric utility in Bamberg has had Santee Cooper as its source of power since the 1950s.

The V.C. Summer Nuclear Station returned to service in March after a nearly five-month refueling and maintenance outage. What began as a routine refueling and inspection soon changed when a small leak was discovered in a weld in the reactor's coolant system pipe.

A section of piping, including the entire weld, was removed and replaced with a new section of pipe. This repair work, unique to the industry, extended the outage longer than expected.

Santee Cooper owns one-third of the 1,000-MW station, located near the Fairfield County town of Jenkinsville, and receives



Mechanic A Derrick Ginn tightens a pipe flange at Rainey's fuel oil filling station.

approximately 320 MWs of the station's generating capability. For the year 2001, this represented nearly 10 percent of Santee Cooper's total power supply.

In commercial operation since 1983, the V.C. Summer Station is operated by S.C. Electric & Gas Co., an investor-owned utility. Summer Station has had an exemplary operating and safety record. It routinely receives high marks in periodic reviews by the Nuclear Regulatory Commission.

- Total megawatt-hour sales increased 1 percent, totaling 22,400,015 MWhs. Retail MWh sales were up 1 percent, industrial 0.6 percent and wholesale 1.6 percent.
- Electric revenue growth increased 13 percent, totaling \$968,795,000. Retail revenue increased 6 percent, industrial 8 percent and wholesale 18 percent.

Santee Cooper sold, through The Energy Authority, 308,851 MWhs in 2001.

Generation set an all-time availability record at 96.1 percent. The national average is in the mid-80s.

At Santee Cooper, the term "dependable power" isn't just a saying. Santee Cooper's transmission reliability in 2001 was 99.998 percent. On the distribution side, the reliability was also high at 99.994 percent.

Santee Cooper has 4,386 miles of transmission lines, an increase of 153 miles.

A group of nine utilities and transmission system operators, including Santee Cooper, announced plans in June to explore the possible development of a regional transmission organization or RTO. The organization would be called the SeTrans RTO. The Federal Energy Regulatory Commission, through its Order 2000, is encouraging utilities to form RTOs.



Customer Care Center Manager Ken Sandiford shows some of the many features of Santee Cooper's Interactive Voice Response system.

Once again, Santee Cooper employees had a very successful safety year. The 2.39 incident rate (number of recordable injuries/illnesses per 100 employees) was the second best in company history, surpassed only by the prior year's 2.30 rate. As a result, associated Workers' Compensation costs were approximately 30 percent below budgeted levels.

Customer service works hard to make life easier.

Customer service has always been a hallmark of Santee Cooper's service to the people we serve. A new call center, which receives an average of 17,000 calls per month, gives customers a faster, more efficient way to do business.

As another example, customers can now pay their bill via the Internet, using "e-Billing." This service is free to customers and reflects Santee Cooper's "easy to do business with" philosophy.

Retail bills were reformatted to be more easily understood with added information on consumption history.

The Interactive Voice Response, or IVR system, was implemented. It efficiently allows customers to report power outages and is capable of handling over 3,000 reports every hour.

More than 9,000 meters in Horry, Georgetown and Berkeley counties are being read using an automated meter reading system. This reduces the need for additional meter readers and allows meters in difficult locations to be more easily read.

The annual Residential Customer Satisfaction Rating released in November indicated 99.3 percent of customers are satisfied overall with the performance of Santee Cooper.

A new program, leasing standby generators to commercial customers who desire a backup source of power, began in June. Santee Cooper installs and maintains the equipment and the customer pays a monthly fee.

Santee Cooper was host to the first American Public Power Association Lineman's Rodeo. Held in Myrtle Beach, one of Santee Cooper's teams won first place in the event.

To meet the increased threat to corporate information and systems posed by expanding Internet connectivity, Santee Cooper recently established a new MIS unit. The unit is dedicated to enhancing Santee Cooper's Information Technology, or IT, security program.



Santee Cooper hosted the APPLA Lineman's Rodeo in Myrtle Beach, S.C. March 24. Three Santee Cooper teams placed in the event, with one team being named the overall winner.



Santee Cooper employees give many hours to outreach programs in the community and schools. Pictured here from left to right is Nan Faulk (Math Buddies at Berkeley Intermediate School), Chris Hively (liaison with business-education partner Westview Middle School), Arthur Ford (liaison with Sampit Elementary School), Darby Gallagher (liaison with Cross High School), Susie McCaskill (liaison with Waccamaw Elementary School), Lisa Napier (Lunch Buddies at Berkeley Middle School),

Linda Pickens (liaison with Loris Elementary School), Mitch Mitchum (liaison with Conway Elementary School), Neil James (CHOICES participant at Loris Middle School), Susan Jackson (Read with a Child, Berkeley Elementary School), and Mike Lankford (CHOICES participant at Macedonia Middle School).

PEOPLE

Santee Cooper programs star in a supporting role.

The Community Relations unit at Santee Cooper completed its most extensive and successful year through outreach programs. These programs improve education, support the arts and culture, and help to protect the environment. Support is also lent to key charitable efforts in the communities we serve.

High Performance Partnerships were signed with Berkeley Middle School, Macedonia Middle School and Loris Middle School. A cooperative project with the S.C. Chamber of Commerce, these partnerships help schools identify issues that may be keeping teachers from teaching and students from learning.

CHOICES is a program that introduces eighth-graders to adult-like challenges. Santee Cooper employees teach the nationally known program at Carolina Forest Middle School in Myrtle Beach, Macedonia Middle School in Macedonia and Berkeley Middle School in Moncks Corner.

How is this done? In the program’s primary exercise, students are told they are “on their own.” They are then given an imaginary job and salary, then instructed to start paying monthly bills that are a routine part of adult life.

Participants quickly discover they must budget for the necessities. It’s an eye-opening experience and these young people soon discover the importance of getting an education to get a better job. The message for these youngsters is: The choices you make now largely determine the type of life you will live.

The Read With a Child Program at Berkeley Elementary School puts employees in the classroom to share stories with young minds eager to learn about the world.

Math Buddies at Berkeley Intermediate School is direct instruction for third-graders who are learning their multiplication tables.

Pairing a student with a mentor is what Lunch Buddies is all about. A child is assigned an employee and they get to know each other throughout the school year. There are 22 employees participating in this program, now in its 4th year.

The Santee Cooper Energy Educators Seminar exemplifies educational outreach. Now in its 13th year, over 850 educators from across the state have come to the Wampee Conference Center for a week of intense instruction on the electric power industry in general and Santee Cooper in particular. This program has continued to

receive rave reviews. Teachers can receive recertification credit by completing this program.

The Power Line Hazard Awareness Demonstration unit, called PHAD for short, is one of Santee Cooper's more popular outreach programs. Training and Development instructors showcase and educate the public on power line safety. Eighty-one demonstrations were made to nearly 7,100 children and 250 adults throughout the state in 2001.

Santee Cooper sponsors the Cypress After Five concert series in Manning. It's the most popular cultural event in Clarendon County, bringing the Charleston Symphony Orchestra, jazz and popular music to the heart of Santee Cooper Country.

Other participation in the community included the 2001 Fire & Safety Expo held in Myrtle Beach in October and the Black Business Expo held in Charleston in March.

Santee Cooper co-sponsored a community benchmarking project on quality of life issues in Berkeley, Charleston and Dorchester counties. Other sponsors were The Community Foundation Serving Coastal South Carolina, the Charleston Metro Chamber of Commerce and the Trident United Way.

Santee Cooper employees have traditionally been generous to the annual United Way campaigns. Over \$150,000 was raised by employees for Trident United Way, Horry County United Way, and Georgetown County United Way.

The American Cancer Society's Relay for Life fund-raising campaign, conducted over several months, raised almost \$45,000 from six Santee Cooper teams. The Relay for Life campaign in Berkeley County was tops in the state, raising \$190,000.

The Society of Human Resource Management's Innovative Practice Award was presented to Santee Cooper. This occurred in October for the Equal Opportunity Administration's diversity awareness exercise. Santee Cooper's overall affirmative action goals progress remained at 100 percent.



Senior Auditor Belinda Nelson reads with a student at Berkeley Elementary School.



In 2001, Santee Cooper employees and retirees made over 80 demonstrations of the Power Line Hazards Awareness Demonstration unit. Employees participating in this demonstration are Everett Wright, line technician and Anthony German and Claud Wessinger, both Training instructors.

Santee Cooper works to create a more dependable economic base.

The human tragedy that will forever be summarized by the date, Sept. 11, had an immediate impact on economic activity and economic development. The economy was instantly slowed, an economy already nearing an expected downturn and recession. Still, considerable progress was made during the year by economic development activities conducted by Santee Cooper and Palmetto Economic Development Corporation (PEDC).

Formed in 1988 by Santee Cooper and Columbia-based Central Electric Power Cooperative, PEDC promotes economic development in the service territories of Santee Cooper and the areas served by the state's 20 distribution cooperatives in every South Carolina county. The 2001 report card includes:

- \$17.97 million in new investment
- 810 new jobs
- 2,000 kilowatts of new load



Construction of a 25,000 square-foot shell manufacturing facility in the Loris Commerce Center was completed in September.

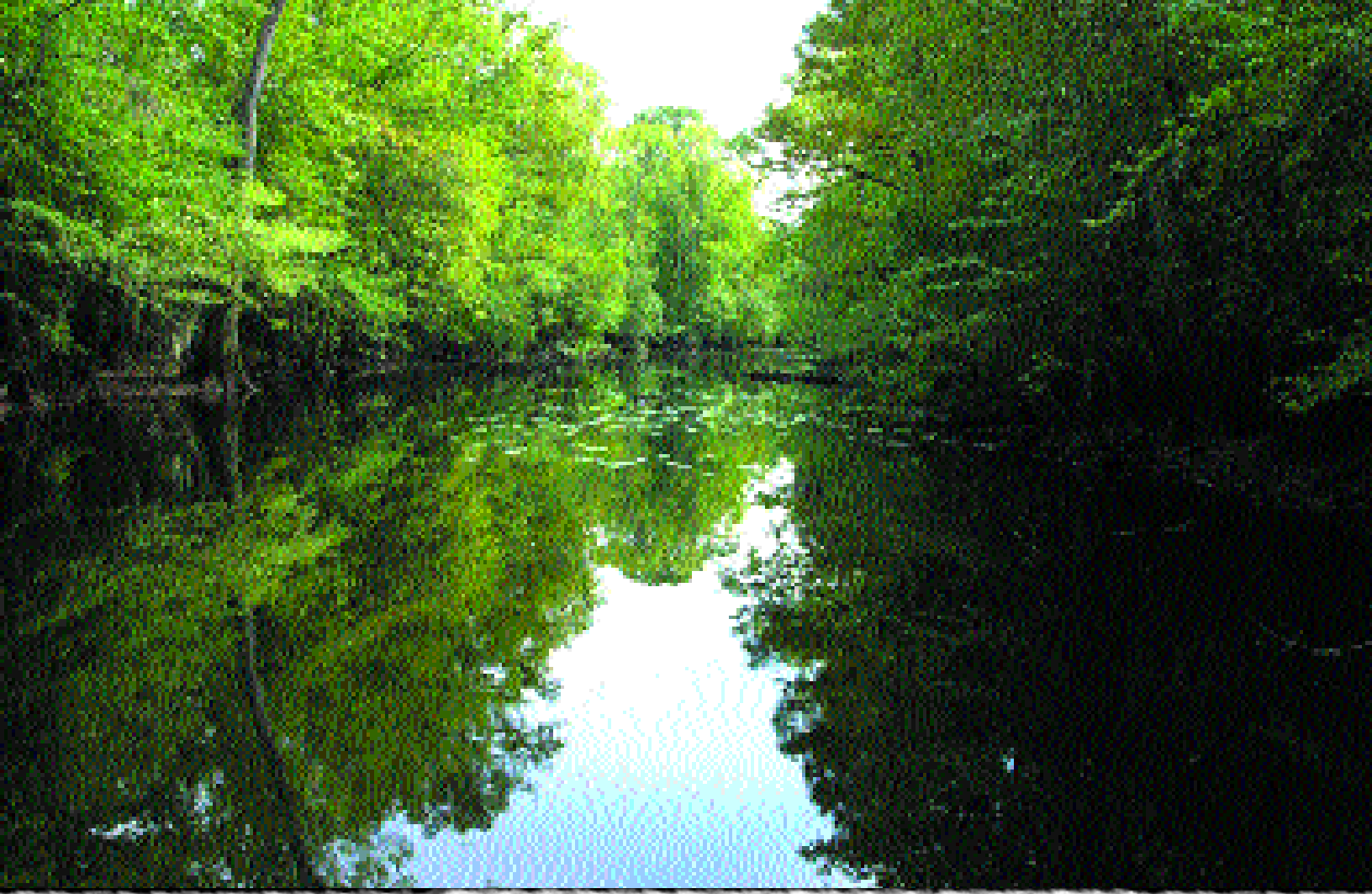
The St. Stephen Commerce Park broke ground for its first tenant, Acutec Precision Machining. The 12-year-old Pennsylvania-based manufacturer makes aeronautical components for Boeing jets, Bell helicopters and gas turbines. Its \$2 million, 20,000-square foot facility became operational in the fall and employs approximately 20 people.

Construction was completed and the dedication was held in September on a 25,000-square foot shell manufacturing facility at the Loris Commerce Center. This building directly and

positively affects the economic development of the city of Loris with a much-needed "product," critical to its future economic growth.

Santee Cooper, the Horry County-based PARTNERS Economic Development Corp., PEDC and Loris are now actively marketing the new facility.

Santee Cooper continued to provide important resources to critical needs, funding economic development through matching grants and economic-development incentive funds to rural communities in their efforts.



The Wadboo Creek Canoe Trail was recently constructed as a joint effort between Santee Cooper, the U.S. Forest Service and Berkeley County. Trail users canoeing through the creek will enjoy an unspoiled view of a Lowcountry black water creek environment.

Santee Cooper shows its true color: green.

In the same year that Santee Cooper introduced Green Power, our Give Oil for Energy Recovery or GOFER program celebrated its 11th year by collecting 2 million gallons of used oil, another new record. This exceeded last year's collection by 30 percent.

GOFER began as a way to collect used motor oil from do-it-yourself (DIY) oil changers — and to protect South Carolina's soil and water resources from improper disposal. Working with the S.C. Department of Health and Environmental Control (DHEC), county and municipal governments, and electric cooperatives, 545 collection tanks have been placed statewide. Santee Cooper has a fleet of trucks and four drivers picking up used oil. It is transported to a Santee Cooper generating station where it is safely converted into electric power.

Since its inception, 10 million gallons have been collected.

This has produced enough electricity to light up 13,700 average-sized homes for one year.

While the number of GOFER sites essentially remained the same as last year, 275 new industrial and commercial clients joined the program. Estimates are this new source of oil will contribute approximately 300,000 gallons annually.

The GOFER program is the state's largest used motor oil collection program. Figures published by S.C. DHEC's Office of Solid Waste Reduction and Recycling show the GOFER program collects approximately 84 percent of collections annually reported to the agency.

GOFER is a highly visible aspect of Santee Cooper's service to the state. The program offers DIYers convenience and safety and is an outstanding example of how governmental partnering can result in tremendous environmental benefits.

Clean sweeps.

The Santee Cooper board voted in June to spend \$280 million on equipment that will reduce nitrogen oxide emissions at coal-fired generating stations. The equipment will be installed over the next four years on certain units at the Cross, Grainger and Winyah stations.

The expenditure and the equipment's installation is necessary for Santee Cooper to maintain compliance with new federal air emissions requirements. In addition to Santee Cooper, utilities in 22 Eastern states are affected by the requirements.

Ground was broken in June on construction of a new plant at Winyah Station to recycle one-half million tons of fly ash. Southeastern Fly Ash Co. is constructing a \$13.5 million carbon recycling facility. When completed in June 2002, it will employ 30 people and have a payroll in excess of \$1 million.

A \$100 million project to significantly reduce overall sulfur dioxide emissions at the Winyah Station got the go-ahead

by the Santee Cooper board in May. Marsulex, based in Toronto, Canada, will construct and own two special flue-gas desulfurization units, commonly called "scrubbers," at Winyah. Marsulex will lease 15 acres from Santee Cooper for the project, which will create 25 to 30 permanent jobs.

The new process will use Marsulex's patented scrubber technology. The byproduct of the scrubbing process is a granular form of ammonium sulfate, highly desirable as a fertilizer.



Employees load fly ash into a SEFA truck at the fly ash silo at Winyah Generating Station.

Environmental excellence by the gallon.

In May, the Santee Cooper Regional Water System was named as the newest member of the S.C. Environmental Excellence Program. The system earned the honor because the system is designed and operated in a way that reduces the use of electricity and finds alternate reuse for residual material after water is treated.

Santee Cooper sells drinking water wholesale to four Lowcountry water utilities. They are Berkeley County Water and Sanitation Authority, Summerville Commissioners of Public Works, the City of Goose Creek and the Town of Moncks Corner Public Works Commission. The 30-million gallons per day system became operational in 1994 and now serves 94,000 consumers.

The 10th South Carolina Environmental Symposium, of which Santee Cooper is the founder and primary sponsor, drew a diverse gathering of 150 leaders from industry, government and business at the two-day event.

Held in Columbia, the keynote speaker was self-described "corporate environmentalist" Ray Anderson. The author of three acclaimed books, including 1995's "The Journey From Here to There — the Eco-Odyssey of a CEO," Anderson is the chairman of the board of the Georgia-based Interface Research Corp. Interface is a major carpet and home furnishings manufacturing firm.

In November, volunteers from the committee for the Preservation of Lakes Moultrie and Marion, the Lake Marion Association and the Santee Cooper Waterfowl & Fisheries Coalition conducted a cooperative project. Along with Santee Cooper employees, they planted 665 button bushes at mud flats on Lakes Marion and Moultrie. The plants will provide additional structure and cover for fish in shallow water and provide food for migratory waterfowl.



Supervisor of Analytical and Biological Services Larry McCord assists with the planting of 665 button bushes in Lakes Marion and Moultrie.

Improving habitats.

Employees in Berkeley County are partners with the S.C. Department of Transportation. In the Adopt-a-Highway program, they scour U.S. Highway 52 between Cypress Gardens Road and Oakley Road, just south of Moncks Corner. In May, the S.C. Department of Transportation recognized Santee Cooper as the Outstanding State Group of the Year.

In October, the Fall for Beautiful Berkeley cleanup campaign puts volunteer employees to work to make the county's highways and byways more attractive. Over three tons of trash were collected and the Berkeley County Water and Sanitation Authority honored Santee Cooper for the cleanup effort.

Santee Cooper co-sponsored the Envirothon in April, a program whereby 32 teams of high school students test their knowledge and skills in five areas of natural resources study: soils, aquatics, forestry, wildlife and household nonpoint-source pollution. Envirothon is now held annually in 42 states and eight Canadian provinces. The South Carolina event was held at Clemson University's Sandhills Research and Education Center near Columbia.

Representatives of Project Habitat presented Santee Cooper their Wildlife Enhancement Partnership Award. Project Habitat utility members use low-volume herbicides to manage their rights of way. This method of management controls fast-growing trees that can grow into power lines, while encouraging the growth of low-growing plants and flowers favored by

wildlife. Santee Cooper is one of 41 utilities participating in the seven-year-old program.

Santee Cooper assisted the S.C. Department of Natural Resources and local lake-user groups in stocking native game fish into Lakes Marion and Moultrie. During 2001, some 100,000 largemouth bass and 20,000 white crappie were spawned and stocked.

A productive partnership continued with the U.S. Fish and Wildlife Service to improve operations at the Santee National Wildlife Refuge located on Lake Marion. Aquatic plant management operations were conducted on 30 acres of refuge property, returning the land to productive use. Two water-control structures were provided and one large pump and one diesel engine were repaired for refuge use.



Supervisor of Aquaculture Jim Tuten and Equipment Operator II Scott Nelson seine for largemouth bass which will be introduced into the Santee Cooper lakes.

In reflecting upon the profound national tragedy that befell the nation in 2001, trying circumstances forced us to re-examine our core values — to reassess what is truly important in our lives.

Santee Cooper approached the year in such a way. Having a bedrock of sound principles that will serve you well, in the good times and the challenging times, says a lot about an organization. This perspective is reinforced in our theme: Dependable Power, Dependable People.

Availability – The amount of time that a system is available to provide service, usually expressed in percentage, for a specific period of time such as a month or year.

Btu (British Thermal Unit) – The standard unit for measuring quantity of heat energy, such as the heat content of fuel. It is the amount of heat energy necessary to raise the temperature of one pound of water one degree Fahrenheit.

Capacity – The load for which a generating unit, generating station, or other electrical apparatus is rated either by the user or by the manufacturer.

Combustion turbine – A jet-type turbine engine which burns gas or oil and propels a generator to produce electricity.

Commercial customer – All nonresidential retail customers served under the General Service rate schedules. Generally, these customers have a demand less than 1,000 kW per month.

Demand – The rate at which electric energy is delivered to or by a system, part of a system or a piece of equipment. It is expressed in kilowatts at a given instant or averaged over any designated period of time. The primary source of "demand" is the power-consuming equipment of the customers.

Deregulation – The elimination of regulation from a previously regulated industry or sector.

Distribution – The process of delivering electric energy from convenient points on the transmission or bulk power system to the consumers. Also, a functional classification relating to that portion of utility plant used for the purpose of delivering electric energy from convenient points on the transmission system to consumers, or to expenses relating to the operation and maintenance of distribution plant.

Electric cooperative – A group of persons who have organized a joint venture for the purpose of supplying electric energy to a specified area. In South Carolina, there are 20 electric co-ops, which receive Santee Cooper-generated power.

Energy sales – The sale of electric energy to wholesale and retail customers usually expressed in kilowatt-hours.

FERC (Federal Energy Regulatory Commission) – An independent federal agency created within the Department of Energy, FERC is vested with broad regulatory authority over wholesale electric, natural gas, and oil production and the licensing of hydroelectric facilities. Among other things, the agency has regulatory authority over the safety of Santee Cooper's dams and dikes.

Fly ash – Gas-borne particles of matter resulting from the combustion of fuels and other materials.

Generating unit – A combination of equipment needed to produce electricity, such as a turbine-generator and its boiler. A generating station usually consists of several units.

Gypsum – This is both a naturally occurring and an artificially produced calcium sulfate (CaSO₄) compound. It is used for a multitude of purposes including sheetrock, fertilizer and cement production. Artificial gypsum may be produced by utilities using forced-oxidation desulfurization systems.

Heat rate – A measure of generating station thermal efficiency, generally expressed in Btu per net kilowatt-hour. It is computed by dividing the total Btu content of fuel burned for electric generation by the resulting kilowatt-hour generation. The lower the heat rate, the more efficient the production.

Income before contributions and transfers – Net revenues available for reinvestment in the business.

Industrial customer – Very large retail customers served under Santee Cooper's Large Light and Power rate schedule (or associated riders). These customers have a demand greater than 1,000 kW.

Investor-owned utility – Refers collectively to those integrated utilities organized as privately owned, taxpaying entities financed by the sale of stock in the free market and managed by representatives (directors) regularly elected by stockholders.

Kilowatt (kW) – 1,000 watts.

Kilowatt-hour (kWh) – The basic unit of electric energy equal to one kilowatt (1,000 watts) of power flowing through an electric circuit steadily for one hour.

Load – The amount of electric power delivered or required at any specified point or points on a system.

Megawatt (MW) – One million watts or 1,000 kilowatts.

Megawatt-hour (MWh) – The basic unit of electric energy equal to one megawatt (1,000 kilowatts) of power flowing through an electric circuit steadily for one hour.

North American Electric Reliability Council (NERC) – Formed in 1968, its mission is to promote the reliability of the electricity supply for North America.

Open Access Same-Time Information System (OASIS) – A computer information system that enables all buyers and sellers to have equal access to Santee Cooper's transmission system. It is designed to ensure that transmission owners do not have an unfair advantage in using their own transmission resources to sell or wheel power.

Peak demand – The maximum amount of electricity used by a utility customer at any instant during a specific time period. The peak is used to measure the amount of electric generating capacity that is required to meet that maximum demand.

Public power – Refers collectively to those utilities owned by municipalities or the state or federal government. Although not government owned, electric cooperatives are sometimes considered within the scope of public power.

Regional Transmission Organization (RTO) – A voluntarily created entity approved by the Federal Energy Regulatory Commission to efficiently coordinate transmission planning, operation and use on a regional and interregional basis. It may be a nonprofit or for-profit entity and it may or may not own the transmission facilities that it operates.

Residential customer – The classification of customers to whom electricity is sold for household purposes.

Restructuring – The changes in the regulatory and statutory policies governing electric utilities as well as the changes that are taking place in the marketplace and electric utility industry as a result of these changes in policies.

Retail customer – These customers are the ultimate consumer of electric energy. Includes residential, commercial, small industrial and other non-wholesale customers.

Revenue bond – A bond payable solely from net or gross non-taxable revenues derived from the operation and charges paid by users of the system.

Substation – An assemblage of equipment for the purpose of switching and/or changing or regulating the voltage of electricity.

Tax-exempt financing – A form of financing employed by publicly owned utilities that allows such utilities to issue bonds where the interest paid on the bonds is not generally subject to taxation. This policy, established in law, stems from the long-standing philosophical viewpoint that publicly owned utilities (electric, water, sewer) provide basic services to the citizens they serve and thus should not be taxed.

Transmission – The process of transporting electric energy in bulk from a source or sources of supply to other principal parts of the system or to other utility systems. Also, a functional classification relating to that portion of utility plant used for the purpose of transmitting electric energy in bulk to other principal parts of the system or to other utility systems, or to expenses relating to the operation and maintenance of transmission plant.

Watt – The basic electrical unit of power or rate of doing work. The rate of energy transfer equivalent to one ampere flowing due to an electrical pressure of one volt at unity power factor. One watt is equivalent to approximately 1/746 horsepower, or one joule per second.

Wholesale customer – A customer who purchases all or part of their electricity from the electric utility for resale.



Santee Cooper's Winyah Station, located in Georgetown County, has a generating capacity of 1,155 megawatts. It was at this generating station that one of the first scrubbed units in the Southeast was installed.

FINANCIAL STATEMENTS CALENDAR YEAR 2001

FINANCE-AUDIT COMMITTEE CHAIRMAN'S LETTER

The Finance-Audit Committee of the Board of Directors is composed of six independent directors: Merl F. Code, Laura M. Fleming, Frances B. Gilbert, Rev. Willie E. Givens Jr., John R. Jordan Jr. and Joseph J. Turner Jr.

The Committee meets monthly with members of management and Internal Audit to review and discuss their activities and responsibilities.

The Finance-Audit Committee oversees Santee Cooper's financial reporting and internal auditing processes on behalf of the Board of Directors. Periodic financial statements and reports from management and the internal auditors pertaining to operations and representations were received. In fulfilling its responsibilities, the Committee also reviewed the overall scope and specific plans for the respective audits by the internal auditors and the independent public accountants. The Committee discussed the Company's financial statements and the adequacy of its system of internal controls.

The Committee met with the independent public accountants and with the General Auditor, without management present, to discuss the results of the examination, the evaluation of Santee Cooper's internal controls, and the overall quality of Santee Cooper's financial reporting.

Laura M. Fleming
Chairman
Finance-Audit Committee

Management’s Discussion and Analysis

Financial Highlights

	2001	2000
	(Thousands)	
Operating revenues	\$ 973,039	\$ 862,415
Operating expenses	\$ 741,004	\$ 652,805
Operating income	\$ 232,035	\$ 209,610
Interest charges	(\$ 155,830)	(\$ 163,541)
Cost to be recovered from future revenue	(\$ 36,581)	(\$ 21,043)
Other income	\$ 26,886	\$ 49,791
Change in net assets	\$ 57,294	\$ 66,591
Ending net assets	\$ 992,468	\$ 935,174

Operating revenues for 2001 increased \$110.6 million or 13% primarily due to higher fuel adjustment revenue and a small gain in kWh sales. Fuel adjustment revenue was up \$117.8 million over last year due to higher fuel and purchased power costs. The Authority began supplying wholesale electric service to the Saluda cooperatives on January 1, 2001, which added about 160,000 customers to the system. In that same month, a new historical generation peak of 4,803 mWh was established in January. However, 2001 as a whole had the lowest number of degree days in recent 5-year history. This warmer weather resulted in less than expected electric sales.

Operating expenses for 2001 increased \$88.2 million or 14%. Fuel and purchased power expense was up \$68.8 million compared to last year due to the combination of the gain in kWh sales and the extended outage at V.C. Summer Nuclear Station causing a greater reliance on more expensive fuel types and higher purchased power.

Operating income was up \$22.4 million or 11% as a result of these differences.

Interest charges for 2001 were down \$7.7 million (5%) compared to last year due to lower debt balances and lower commercial paper rates.

Costs to be recovered from future revenue was \$15.5 million or 74% higher than last year due to higher principal payments this year compared to last year.

Other income dropped \$22.9 million or 46%. Interest income was down \$11.7 million (41%) due to lower interest rates and less funds available for investment. Miscellaneous income decreased \$9.2 million (71%) primarily due to decreased

gains on the sale of leased lots.

Change in net assets for 2001 was down \$9.3 million due to these differences.

Overview of the Financial Statements

In June 1999 the Governmental Accounting Standards Board issued Statement No. 34, “Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments.” The objective of this Statement is to enhance the understandability and usefulness of the external financial reports of state and local governments to the citizenry, legislative and oversight bodies, and investors and creditors. This Statement is effective for the Authority beginning in fiscal year 2001; consequently the presentation of financial information this year is different from previous reports.

By definition within this Statement, Santee Cooper is deemed a special-purpose government engaged only in business-type activities; where a government entity operates like a business. GASB 34 requires the following components in a governmental entity’s annual report.

Management’s Discussion and Analysis

The purpose is to provide an objective and easily readable analysis of the Authority’s financial activities based on currently known facts, decisions, or conditions.

Balance Sheet

Assets and liabilities of proprietary funds should be presented to distinguish between current and long-term assets and liabilities.

Statement of Revenues, Expenses and Changes in Net Assets

This statement provides the operating results of the Authority broken into the various categories of operating revenue and expenses, non-operating revenues and expenses, as well as capital contributions and transfers out.

Statement of Cash Flows

Using the direct method, sources and uses of cash from operating activities are illustrated.

Notes to the Financial Statements

Used to explain some of the information in the financial statements and provide more detailed data.

Competition

The electric utility industry in general has been affected by regulatory changes, market developments and other factors that have impacted, and will probably continue to impact, the financial condition and competitiveness of electric utilities and the level of utilization of facilities, such as those of the Authority.

Historically, electric utilities have operated as monopolies in their service areas, subject to certain exceptions. Under this regulatory regime, electric utilities have generally been able to charge rates determined by reference to their costs of service, rather than by competitive forces, and customers of an electric utility with high rates have not been allowed to purchase power at lower rates from other electric utilities. In contrast, in a deregulated market, it is anticipated that customers in a particular service area will be permitted to choose among competing electric suppliers, resulting in a market price for electric power in that service area. An electric utility with power costs that are high in relation to the power costs of competing electric utilities may have costs that cannot be recovered by charging the market rate. Although certain deregulation measures proposed to date would allow for recovery of some portion of the costs that would otherwise be non-recoverable when markets are deregulated, the ultimate regulatory treatment of such costs cannot be predicted. The loss of customers by an electric utility, particularly in the absence of a method to recover costs allocable to such customers, could have a material adverse effect on the financial condition of the utility.

Senate Task Force on Deregulation of South Carolina’s Electric Utility Industry.

Late in 1998, a 19 member Senate task force was established to study the deregulation of South Carolina’s electric utility industry. The Task Force had its organizational meeting on December 1, 1998 and consists of eight members of the Senate and 11 additional members, including the Authority’s President and Chief Executive Officer, representing various stakeholder groups. The mission of the Task Force is to answer the threshold question of whether a fundamental restructuring of the electric utility industry is in the best interests of the citizens of the State and, if so, to recommend legislative changes. The Task Force established five subcommittees: Operations, Consumer, Financial, Regulatory and Legal and Oversight. The Task Force has no specific deadline within which it must accomplish its work. The Task Force last met in November 1999. No future meetings of the Task Force have been scheduled, although no action has been taken

to formally disband the group. The Authority is unable to predict whether there will be retail deregulation in the State and, if so, when or under what conditions.

Regulatory Matters

Hydroelectric Relicensing

The Authority operates its Jefferies Hydro Station and certain other property, including the Pinopolis Dam on the Cooper River and the Santee Dam on the Santee River, which are major parts of the Authority’s integrated hydroelectric complex, under a license issued by the FERC pursuant to the Federal Power Act. The license, which has been renewed once, is scheduled to expire on March 31, 2006. A Notice of Intent to relicense the hydroelectric complex was filed with the FERC on November 13, 2000. The Authority has begun the initial strategic planning and preparation for relicensing.

SeTrans Participation Agreement

On September 24, 2001 the Authority, along with six municipal and electric cooperative transmission owners and Southern Company (together with the Authority, the “participating transmission owners”), executed an agreement to investigate the development of a Regional Transmission Organization (RTO) for the southeastern United States, currently referred to as SeTrans. The Entergy Companies recently became signatories to this agreement; other transmission owners in this region are expected to join the SeTrans development process. The RTO concept that is being explored involves utilizing an independent entity, which would own no generation or transmission assets, to operate the combined transmission assets of the participating transmission owners. The participating transmission owners would continue to own their respective transmission assets. These discussions and negotiations regarding the development of an RTO in the Authority’s region are ongoing, and their outcome and any potential impact on the Authority are unknown at this time.

Impact of September 11, 2001

The impact that the terrorist attacks of September 11, 2001, may have on the Authority are not fully known at this time including changes in the cost and availability of sufficient insurance. Additional efforts have been implemented to bolster the security of employees and the generating, transmission and distribution facilities from direct attack. In addition, the Nuclear Regulatory Commission has instituted a series of heightened security measures at nuclear facilities around the country which apply to the V.C. Summer Nuclear Station, of which the Authority is a one-third owner.

Capital Improvement Program

The Authority's capital improvement program for years 2002 through 2004 consists of expenditures for the completion of the Rainey Generating Station, construction expenditures for Cross Unit 3 and Rainey Units 3, 4 and 5 and general improvements to the Authority's System. These general improvements include the power supply facilities, extensions of and improvements to transmission and distribution facilities, environmental compliance, and other improvements to general facilities.

The total cost of the capital improvement program in years 2002 through 2004 is estimated to be approximately \$1,028,000,000. This amount is expected to be applied as follows:

(1) \$6 million for completion of Rainey Generating Station,

- (2) \$459 million for Cross Unit 3 and Rainey Units 3, 4 and 5,
- (3) \$232 million for environmental compliance expenditures, and
- (4) \$331 million for general improvements to the System.

The cost of the capital improvement program will be provided from internally generated funds of the Authority, long-term bonds, and Commercial Paper Notes and other short-term obligations of the Authority, as determined by the Authority.

The Authority has been active in the bond market due to needing funds for planned construction, as well as "refunding" outstanding debt to take advantage of lower interest rates.

Bond Market Transactions during 2001

Par Amount	Type	Date Closed	Purpose	Comments
\$54,890,000	Revenue Obligations: 2001A	09/18/2001	Finance portion of Rainey Generating Station and refund the 1991 Refunding & Improvements Series B Bonds.	All-in-true interest cost of 4.734%. Gross savings of \$668,000 over the life of the bonds

Bond Market Transactions during 2002 (Known to date)

Par Amount	Type	Date Closed	Purpose	Comments
\$108,035,000	Revenue Obligations: 2002A	04/03/2002*	Refund 1992 Series A Refunding Bonds.	Gross savings of \$15.1 million over the life of the bonds
\$281,140,000	Revenue Obligations: 2002B	02/13/2002	To finance the tax-exempt portion of construction for Cross Unit #3 and the three simple cycle units at Rainey Generating Station.	Tax-exempt bonds. All-in-true interest cost of 5.28%.
\$91,775,000	Revenue Obligations: 2002C	02/13/2002	To finance the taxable portion of construction of the three simple cycle units at Rainey Generating Station and SIP CALL environmental requirements.	Taxable bonds as required by IRS Private Use ruling. All-in-true interest cost 5.38%.

* On August 10, 2001, the Authority entered into a Forward Delivery Bond Purchase Agreement which is scheduled to close on April 3, 2002.

To the Advisory Board and Board of Directors of the South Carolina Public Service Authority:

We have audited the accompanying combined balance sheets of the South Carolina Public Service Authority (a component unit of the state of South Carolina—Note 1) as of December 31, 2001 and 2000, and the related combined statements of revenues, expenses and changes in net assets, and cash flows for each of the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Carolina Public Service Authority as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the years then ended in conformity with accounting principles generally accepted in the United States.

Arthur Anderson LLP
Arthur Anderson, L.L.P.
Charlotte, North Carolina
February 15, 2002

Combined Balance Sheets

South Carolina Public Service Authority
As of December 31, 2001 and 2000

ASSETS		
	2001	2000
	(Thousands)	
<i>Current assets</i>		
Unrestricted cash and cash equivalents	\$ 70,473	\$ 77,882
Unrestricted investments	122,645	120,040
Restricted cash and cash equivalents	98,268	117,702
Restricted investments	73,233	52,544
Receivables, net of allowance for doubtful accounts of \$4,236,000 and \$332,000 at December 31, 2001 and 2000, respectively	93,891	95,695
Materials inventory	37,524	35,221
Fuel inventory		
Fossil fuels	71,300	35,754
Nuclear fuel-net	21,157	27,240
Interest receivable	3,199	3,238
Prepaid expenses	1,759	537
<i>Total current assets</i>	<i>593,449</i>	<i>565,853</i>
<i>Noncurrent assets</i>		
Restricted cash and cash equivalents	37,474	86,756
Restricted investments	123,682	129,558
Capital assets		
Utility plant	3,567,720	3,464,528
Accumulated depreciation	(1,467,312)	(1,387,482)
Total utility plant-net	2,100,408	2,077,046
Construction work in progress	410,711	331,793
Other physical property-net	1,647	1,688
Investment in associated company	10,972	8,307
Deferred debits and other noncurrent assets		
Unamortized debt expenses	23,622	25,390
Costs to be recovered from future revenue	246,849	283,430
Other	54,387	53,991
<i>Total noncurrent assets</i>	<i>3,009,752</i>	<i>2,997,959</i>
<i>Total</i>	<i>\$ 3,603,201</i>	<i>\$ 3,563,812</i>

The accompanying notes to financial statements are an integral part of these balance sheets.

LIABILITIES		
	2001	2000
	(Thousands)	
<i>Current liabilities</i>		
Current portion of long term debt	\$ 71,814	\$ 68,082
Accrued interest on long term debt	60,458	61,646
Commercial paper-net	308,965	331,578
Accounts payable	74,110	59,723
Other current liabilities	17,459	31,478
<i>Total current liabilities</i>	<i>532,806</i>	<i>552,507</i>
<i>Noncurrent liabilities:</i>		
Construction fund liabilities	15,035	11,901
Accrued nuclear decommissioning costs	84,366	75,775
Total long-term debt (net of current portion)	2,213,108	2,240,033
Unamortized loss on refunded debt	(233,602)	(247,695)
Unamortized debt discount and premium-net	(35,101)	(38,374)
Long term debt-net	1,944,405	1,953,964
Other deferred credits and noncurrent liabilities	34,121	34,491
<i>Total noncurrent liabilities</i>	<i>2,077,927</i>	<i>2,076,131</i>
<i>Total</i>	<i>2,610,733</i>	<i>2,628,638</i>
COMMITMENTS AND CONTINGENCIES (Notes 7, 8 and 9)		
NET ASSETS		
Invested in capital assets, net of related debt	231,233	161,418
Restricted for debt service	111,043	108,601
Restricted for capital projects	64,181	131,006
Restricted for other	55,654	49,862
Unrestricted	530,357	484,287
<i>Total</i>	<i>992,468</i>	<i>935,174</i>
<i>Total</i>	<i>\$ 3,603,201</i>	<i>\$ 3,563,812</i>

Combined Statements of Revenues, Expenses and Changes in Net Assets

South Carolina Public Service Authority
Years Ended December 31, 2001 and 2000

	2001	2000
	(Thousands)	
Operating revenues		
Sale of electricity	\$ 955,670	\$ 847,960
Sale of water	4,544	4,217
Other operating revenue	12,825	10,238
Total operating revenues	973,039	862,415
Operating expenses		
Electric operation expense		
Production	48,746	42,910
Fuel	309,560	295,334
Purchased and interchanged power	118,143	63,577
Transmission	14,096	10,896
Distribution	7,134	6,598
Customer accounts	9,354	4,361
Sales	2,358	2,330
Administrative and general	51,319	48,957
Electric maintenance expense	65,471	65,143
Water operation expense	1,017	1,116
Water maintenance expense	295	293
Total operation and maintenance expenses	627,493	541,515
Depreciation and amortization	110,990	108,800
Sums in lieu of taxes	2,521	2,490
Total operating expenses	741,004	652,805
Operating income	\$ 232,035	\$ 209,610

	2001	2000
	(Thousands)	
Nonoperating revenues (expenses)		
Interest and investment revenue	\$ 16,480	\$ 28,145
Net increase in the fair value of investments	6,602	8,654
Interest expense on long term debt	(124,882)	(127,406)
Other interest expense	(30,948)	(36,135)
Costs to be recovered from future revenue	(36,581)	(21,043)
Other-net	3,804	12,992
Total nonoperating revenues (expenses)	(165,525)	(134,793)
Income before contributions and transfers	66,510	74,817
Capital contributions	0	271
Transfers out	(9,216)	(8,497)
Change in net assets	57,294	66,591
Total net assets-beginning of year	935,174	868,583
Total net assets-end of year	\$ 992,468	\$ 935,174

The accompanying notes to financial statements are an integral part of these statements.

Combined Statements of Cash Flows

South Carolina Public Service Authority
 Years Ended December 31, 2001 and 2000

	2001	2000
	(Thousands)	
Cash flows from operating activities		
Receipts from customers	\$ 970,939	\$ 850,535
Payments to non-fuel suppliers	(133,812)	(60,171)
Payments for fuel	(304,987)	(291,453)
Purchased power	(118,163)	(61,853)
Payments to employees	(94,330)	(89,674)
Other (payments) receipts, net	(287)	9,491
Net cash provided by operating activities	319,360	356,875
Cash flows from non-capital related financing activities		
Distribution to the state of South Carolina	(9,216)	(8,497)
Water system grant	0	271
Net cash used in non-capital related financing activities	(9,216)	(8,226)
Cash flows from capital-related financing activities		
Proceeds from sale of bonds	54,890	0
Retirements of reacquired debt	2	1,071
Net commercial paper repayments	(22,630)	(38,488)
Repayment and refunding of bonds	(75,530)	(83,520)
Interest paid on borrowings	(136,811)	(142,833)
Construction and betterments of utility plant	(209,372)	(237,212)
Debt premium (issuance costs)	90	(506)
Other, net	(2,552)	(2,763)
Net cash used in capital-related financing activities	(391,913)	(504,251)
Cash flows from investing activities		
Net (increase) decrease in investments	(10,816)	196,114
Interest on investments	16,460	30,031
Net cash provided by investing activities	5,644	226,145
Net (decrease) increase in cash and cash equivalents	(76,125)	70,543
Balance-beginning of year	282,340	211,797
Balance-end of year	\$ 206,215	\$ 282,340

The accompanying notes to financial statements are an integral part of these statements.

	2001	2000
	(Thousands)	
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 232,035	\$ 209,610
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	118,961	116,539
Impact of transactions involving associated company	(48,909)	(43,779)
Distributions from associated company	39,789	39,367
Advance to associated company	0	(1,083)
Other income	135	101
Changes in assets and liabilities:		
Accounts receivable, net	1,804	(12,539)
Inventories	(37,334)	11,502
Prepaid expenses	(1,222)	236
Other deferred debits	(6,332)	(11,567)
Deferred coal contract buy-out costs	7,300	6,976
Accounts payable	14,387	6,059
Other current liabilities	(12,941)	11,347
Other noncurrent liabilities	11,687	24,106
Net cash provided by operating activities	\$ 319,360	\$ 356,875
Reconciliation of cash and cash equivalents		
Cash and investments held by trustee (designated)	\$ 248,003	\$ 318,986
Cash and investments held by trustee	175,523	164,347
Bond funds – current portion	102,249	101,149
Less investments, not considered cash and cash equivalents	319,560	302,142
Cash and cash equivalents at the end of the year	\$ 206,215	\$ 282,340

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies:

A - Reporting Entity - The South Carolina Public Service Authority (the Authority), a component unit of the state of South Carolina, was created in 1934 by the state legislature. The Board of Directors is appointed by the Governor of South Carolina with the advice and consent of the Senate. The purpose of the Authority is to provide electric power and wholesale water to the people of South Carolina. Capital projects are funded by commercial paper notes in addition to bonds and internally generated funds. The Board of Directors sets rates charged to customers to pay debt service and operating expenses and to provide funds required under bond covenants.

B - System of Accounts - The accounting records of the Authority are maintained on an accrual basis in accordance with generally accepted accounting principles (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting and the Financial Accounting Standards Board (FASB) that do not conflict with rules issued by the GASB. The Authority's financial statements include the accounts of the Lake Moultrie Regional Water System after elimination of intercompany accounts and transactions. The accounts are maintained substantially in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) for the electric system and the National Association of Regulatory Utility Commissioners (NARUC) for the water system. The Authority also complies with policies and practices prescribed by its Board of Directors and to practices common in both industries. As the Board of Directors sets rates, the Authority has historically followed FASB 71, which provides for the reporting of assets and liabilities consistent with the economic effect of the rate structure. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

C - Utility Plant - Utility plant is recorded at cost, which includes materials, labor, overhead, and interest capitalized during construction. Interest is capitalized when funded through borrowings. There was no interest capitalized in 2001 or 2000. The costs of maintenance, repairs and minor replacements are charged to appropriate operation and maintenance expense accounts. The costs of renewals and betterments are capitalized. The original cost of utility plant retired and the cost of removal, less salvage, are charged to accumulated depreciation.

D - Depreciation - Depreciation is computed on a straight-line basis over the estimated useful lives of the various classes of the plant. Annual depreciation provisions, expressed as a percentage of average depreciable utility plant in service, were approximately 3.3% and 3.4% for the periods ended December 31, 2001 and 2000, respectively. Amortization of capitalized leases is also included in depreciation expense.

E - Revenue Recognition and Fuel Costs - Substantially all wholesale and industrial revenues are billed and recorded at the end of each month. Revenues for electricity delivered to retail customers which have not been billed are accrued. Fuel costs are reflected in operating expenses as fuel is consumed.

F - Bond Issuance Costs - Unamortized debt discount, premium, and expense are amortized to income over the terms of the related debt issues. Gains or losses on refunded debt are amortized to income over the shorter of the remaining life of the refunded debt or the life of the new debt.

G - Cash and Cash Equivalents - For purposes of the statements of cash flows, the Authority considers highly liquid investments with original maturities of less than three months and cash on deposit with financial institutions as cash and cash equivalents. As stated in Note L, the Authority adopted GASB 34 which requires cash and cash equivalents to be shown as either restricted or unrestricted. "Restricted" refers to those funds limited by law, regulations or Board action as to their allowable disbursement. "Unrestricted" is all other funds not meeting the requirements of restricted.

H - Payment to the State - The distribution to the state of South Carolina is a payment in lieu of taxes and is determined consistent with requirements under bond indentures. This payment totaled \$9.2 million in 2001 and \$8.5 million in 2000. The distribution for payment to the state is shown as "Transfers out" on the Statements of Revenues, Expenses, and Changes in Net Assets.

I - Deferred Coal Contract Buy-Out Costs - During 1995, the Authority exercised a buy-out option on an existing coal contract in order to take advantage of lower coal costs. The cost of the buy-out, which was approximately \$53.0 million is recorded in deferred debits and included as a component of fuel costs over the remaining life of the former contract. The balance in this account at December 31, 2001 was \$11.3 million.

J - Investment in Associated Company - The Authority is a member of The Energy Authority (TEA) along with City Utilities of Springfield (Missouri), Gainesville Regional Utilities (Florida), Jacksonville Electric Authority (Florida), the Municipal Electric Authority of Georgia, and Nebraska Public Power District.

TEA markets wholesale power and coordinates the operation of the generation assets of its members to maximize the efficient

use of electrical energy resources, reduce operating costs and increase operating revenues of the members. TEA is expected to accomplish the foregoing without impacting the safety and reliability of the electric system of each member. TEA does not engage in the construction or ownership of generation or transmission assets.

All of TEA's revenues and its costs are allocated to the members. The Authority's exposure relating to TEA is limited to the Authority's capital investments in TEA, any accounts receivable from TEA and trade guarantees provided to TEA by the Authority.

During 2001, the Authority recorded distributions from power marketing of \$39,789,000 from TEA and recognized \$39,977,000 in reductions to power costs partially offset by \$1,439,000 in equity losses. With respect to natural gas marketing, the Authority advanced \$10,245,000 to fund authorized gas forward purchases and sales contracts. During 2001, the Authority recorded \$3,217,000 in realized losses from natural gas hedging transactions and \$3,119,000 as unrealized losses using mark-to-market accounting as outlined by FASB 133. The unrealized losses were deferred at December 31, 2001, as regulatory assets and will be recognized and recovered through rates as the hedged power delivery occurs and is recorded to fuel expense.

During 2000, the Authority recorded distributions from power marketing of \$39,153,000 from TEA and recognized \$43,779,000 in reductions to power costs partially offset by \$1,569,000 in equity losses. The Authority also received \$214,000 representing return of a portion of trading capital previously extended due to the entry of additional members. Also, in 2000, TEA's members voted to authorize TEA to engage in natural gas marketing on behalf of the members. During 2000, the Authority advanced \$1,083,000 to TEA in support of its future gas marketing activities, but no gas marketing transactions occurred.

The amount approved by the Authority's Board of Directors to support TEA's activities is an amount not to exceed approximately \$44.3 million as of December 31, 2001.

K - Impairment of Long-Lived Assets - The Authority follows the accounting requirement of FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of." This statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This statement also imposes stricter criteria for regulatory assets by requiring that such assets be probable of future recovery at each balance sheet date. Upon adoption, and to date, FASB 121 has had no effect on the Authority's financial position. The Authority will reassess the effect of FASB 121 in the future as competitive factors influence wholesale and retail pricing in the industry. Refer to Note M, "Statement of Financial Accounting Standards No. 144."

L - Newly Adopted Standards for 2001

GASB 34 and GASB 38: For calendar year 2001, the Authority adopted GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local

Governments" as well as GASB Statement No. 38, "Certain Financial Statement Note Disclosures," and has presented the prior year's financial statements on a basis consistent with that of 2001. The adoption of GASB 34, as amended by GASB 37, requires the Authority to make several changes to the presentation of its basic financial statements in addition to requiring the presentation of the Authority's Management's Discussion and Analysis (MD&A). MD&A will introduce the basic financial statements and provide an analytical overview of the Authority's financial activities. The basic financial statements consist of the Statement of Revenues, Expenses & Changes in Net Assets, the Balance Sheets, the Statement of Cash Flows, and notes to the financial statements. FASB 133/ FASB 138: In June 1998, FASB issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," which established accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement required that changes in a derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. In June 1999, FASB Statement No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of Statement No. 133," was issued which delayed the original effective date of FASB 133 until fiscal years beginning after June 15, 2000. In June 2000, FASB Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," was issued which amends FASB 133. FASB 138 addresses a limited number of issues related to the implementation of FASB 133. The implementation of FASB 133, as amended, continues to have no material impact on the Authority's financial position or results of operations.

M - Issued But Not Yet Effective Pronouncements

Statement of Financial Accounting Standards No.143: This Statement, "Accounting for Asset Retirement Obligations," will change the way companies recognize and measure retirement obligations that result from the acquisition, construction, development or normal operation of a long-lived asset. Generally, companies will begin to recognize much sooner any liability associated with retiring long-lived assets. Effective for fiscal years beginning after June 15, 2002, asset retirement obligations must be recognized as a liability and be measured at fair value. The liability will be recognized when the obligation is incurred which, in many cases, will be when the long-lived asset is placed in service. Management has not yet determined the impact of this Statement.

Statement of Financial Accounting Standards No.144: Effective for fiscal year 2002, this Statement, "Accounting for the Impairment or Disposal of Long-lived Assets," addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". FASB 144 states the required accounting for disposing of long-lived assets whether previously held and used or

newly acquired, and broadens the presentation of discontinued operations to include more disposal transactions. The implementation of FASB 144 is expected to have no material impact on the Authority's financial position or results of operations.

Note 2 – Costs to Be Recovered from Future Revenue:

The Authority's electric rates are established based upon debt service and operating fund requirements. Straight-line depreciation is not considered in the cost of service calculation used to design rates. The differences between debt principal maturities (adjusted for the effects of premiums, discounts, and amortization of deferred gains and losses) and straight-line depreciation on debt financed assets are recognized as costs to be recovered from future revenue. The recovery of outstanding amounts associated with costs to be recovered from future revenue will coincide with the retirement of the outstanding long-term debt of the Authority.

Note 3 – Cash and Investments Held by Trustee (Designated):

Unexpended funds from the sale of bonds, debt service funds, other special funds, and cash and investments are held and maintained by trustees, and their use is designated in accordance with applicable provisions of various trust indentures, bond resolutions, lease agreements, and the Enabling Act included in the South Carolina law. Such funds consist principally of investments in government securities. In 1998, the Authority adopted the provisions of the GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASB Statement No. 31 establishes standards of accounting and financial reporting for certain investments in securities and requires that all equity and debt securities be recorded at their fair value with gains and losses in fair value reflected as a component of nonoperating income in the Statement of Revenues, Expenses, and Changes in Net Assets.

As of December 31, 2001 and 2000, the Authority had investments totalling \$518,927,000 and \$579,081,000, respectively.

As of December 31, 2001, the Authority's investments carried at fair market value included nuclear decommissioning funds of \$84,044,000 with related unrealized holding gains of

\$10,721,000. As of December 31, 2000, decommissioning funds totaled \$75,420,000 with related unrealized holding gains of \$11,827,000. These unrealized holding gains are reflected in the decommissioning liability and not as a separate component of nonoperating income in the Statement of Revenues, Expenses, and Changes in Net Assets.

All the Authority's investments with the exception of decommissioning funds are limited to a maturity of ten years or less. For the year ended December 31, 2001, the Authority made investment purchases and sales at cost totalling approximately \$37.6 billion, respectively. For the year ended December 31, 2000, the Authority made investment purchases at cost totalling \$26.7 billion and realized proceeds from the sale of investments totalling approximately \$26.9 billion.

Investments - Trust indentures and resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies, instrumentalities, and certificates of deposit. The Authority's investments consist of U.S. government securities, certificates of deposit, and repurchase agreements. The Authority requires that securities underlying repurchase agreements have a market value of at least 102 percent of the cost of the repurchase agreement. Securities underlying repurchase agreements are delivered by broker/dealers to the Authority's trust agents. At December 31, 2001, the Authority's repurchase agreements totaled \$164,655,000.

The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by trust agents in the Authority's name. Category 2 includes uninsured certificates of deposit which are collateralized with securities pledged to the Authority by pledging financial institutions but not held in the Authority's name.

Cash - Cash is categorized as follows: Category 1 includes bank balances entirely covered by federal depository insurance. Category 2 includes bank balances that are uncollateralized or collateralized with securities pledged to the Authority by pledging financial institutions but not held in the Authority's name.

2001						
	Investments		Cash		Total	Market
	Category 1	Category 2	Category 1	Category 2	Carrying Value	Value
(Thousands)						
Cash and Investments						
Held by Trustee (Designated)						
General Improvement Funds	\$ 1,490	\$ 1,300	\$ 15	\$ 0	\$ 2,805	\$ 2,805
Debt Service Reserve Funds	69,239	0	13	0	69,252	69,252
Other Special Funds	175,919	0	27	0	175,946	175,946
Total Cash and Investments						
Held by Trustee (Designated)	\$ 246,648	\$ 1,300	\$ 55	\$ 0	\$ 248,003	\$ 248,003
Cash and Investments						
Held by Trustee						
Revenue Fund	\$ 65,496	\$ 0	\$ 1,131	\$ 5,878	\$ 72,505	\$ 72,505
Revenue Fund–Water System	530	0	0	0	530	530
Special Reserve Fund	102,614	0	(216)	0	102,398	102,398
Special Reserve Fund–Water	90	0	0	0	90	90
Total Cash and Investments						
Held by Trustee	\$ 168,730	\$ 0	\$ 915	\$ 5,878	\$ 175,523	\$ 175,523
Bond Funds–Current Portion						
Interest	\$ 49,838	\$ 0	\$ 0	\$ 0	\$ 49,838	\$ 49,838
Bond Principal	52,092	0	0	0	52,092	52,092
Lease	319	0	0	0	319	319
Total Bond Funds–Current Portion	\$ 102,249	\$ 0	\$ 0	\$ 0	\$ 102,249	\$ 102,249

2000						
	Investments		Cash		Total	Market
	Category 1	Category 2	Category 1	Category 2	Carrying Value	Value
(Thousands)						
Cash and Investments						
Held by Trustee (Designated)						
General Improvement Funds	\$ 19,554	\$ 1,250	\$ 5	\$ 0	\$ 20,809	\$ 20,809
Debt Service Reserve Funds	68,144	0	954	0	69,098	69,098
Other Special Funds	227,040	0	2,037	2	229,079	229,079
Total Cash and Investments						
Held by Trustee (Designated)	\$ 314,738	\$ 1,250	\$ 2,996	\$ 2	\$ 318,986	\$ 318,986
Cash and Investments						
Held by Trustee						
Revenue Fund	\$ 78,413	\$ 0	\$ 14,193	\$ (16,716)	\$ 75,890	\$ 75,890
Revenue Fund – Water System	244	0	0	0	244	244
Special Reserve Fund	83,100	0	4,926	0	88,026	88,026
Special Reserve Fund – Water	187	0	0	0	187	187
Total Cash and Investments						
Held by Trustee	\$ 161,944	\$ 0	\$ 19,119	\$ (16,716)	\$ 164,347	\$ 164,347
Bond Funds–Current Portion						
Interest	\$ 51,819	\$ 0	\$ 0	\$ 0	\$ 51,819	\$ 51,819
Bond Principal	49,011	0	0	0	49,011	49,011
Lease	319	0	0	0	319	319
Total Bond Funds–Current Portion	\$ 101,149	\$ 0	\$ 0	\$ 0	\$ 101,149	\$ 101,149

Note 4 – Long-Term Debt Outstanding:

The Authority's long-term debt at December 31, 2001 and 2000 consisted of the following:

	2001	2000	Interest Rate(s)	Call Price
	(Thousands)			
Electric Revenue Bonds-Priority Obligations: (mature through 2006)	\$ 20,270	\$ 23,815	4.1%	100
Capitalized Lease Obligations: (mature through 2014)	26,932	29,485	2.0-5.0	N/A
Revenue Bonds: (mature through 2032)				
1991 Refunding & Improvement Series B	0	10,000	6.70-7.00	N/A
1992 Refunding Series A	113,380	135,885	5.70-6.375	102
1993 Refunding Series A&B	361,140	368,130	5.0-5.60	102
1993 Refunding Series C	583,060	583,515	4.40-5.125	102
1995 Refunding Series A	106,900	112,905	6.125-6.25	102
1995 Refunding Series B	166,655	168,670	5.30-6.50	102
1996 Refunding Series A	223,690	223,690	5.75-6.50	102
1996 Refunding Series B	21,505	21,505	5.50	102
1997 Refunding Series A	208,835	210,670	4.875-5.125	101
1998 Refunding Series A	48,265	69,875	5.00	Non-callable
1998 Refunding Series B	25,760	26,330	4.00-5.25	101
Total Revenue Bonds	1,859,190	1,931,175		
Revenue Obligations: (mature through 2022)				
1999 Tax-exempt Series A	198,320	198,320	4.80-5.75	101
1999 Taxable Series B	125,320	125,320	6.53-7.42	Non-callable
2001 Tax-Exempt Improvement Series A	46,285	0	3.25-5.25	101
2001 Tax-Exempt Refunding Series A	8,605	0	3.50-4.00	Non-callable
Total Revenue Obligations	378,530	323,640		
Less: Current Portion-Long-term Debt	71,814	68,082		
Total Long-term Debt - (Net of current portion)	\$ 2,213,108	\$ 2,240,033		

Maturities of long-term debt are as follows:

Year Ending December 31,	Priority Obligations	Capitalized Leases	Revenue Bonds	Revenue Obligations	Total Principal	Interest	Total
	(Thousands)						
2002	\$ 3,705	\$ 2,654	\$ 54,950	\$ 10,505	\$ 71,814	\$ 123,293	\$ 195,107
2003	3,870	2,762	58,500	24,365	89,497	119,877	209,374
2004	4,045	2,761	37,085	34,625	78,516	114,810	193,326
2005	4,230	2,771	37,930	12,235	57,166	111,356	168,522
2006	4,420	2,672	34,775	15,975	57,842	107,958	165,800
2007-2011	0	10,806	216,765	115,630	343,201	494,621	837,822
2012-2016	0	2,506	387,215	80,220	469,941	371,774	841,715
2017-2021	0	0	550,650	70,050	620,700	229,613	850,313
2022-2026	0	0	276,905	14,925	291,830	78,048	369,878
2027-2032	0	0	204,415	0	204,415	30,241	234,656
Total	\$ 20,270	\$ 26,932	\$ 1,859,190	\$ 378,530	\$ 2,284,922	\$ 1,781,591	\$ 4,066,513

The fair value of the Authority's debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Authority for debt with the same remaining maturities. Based on the borrowing rates currently available to the

Authority for tax-exempt bonds and other debt with similar terms and average maturities, the fair value of debt is approximately \$2.62 billion and \$2.68 billion at December 31, 2001 and 2000, respectively.

Refunded amounts outstanding, original loss on refunding, and the unamortized loss at December 31, 2001 are as follows:

Refunding Issue	Refunded Bonds		Refunded Amount Outstanding	Original Loss	Unamortized Loss
	(Thousands)				
Cash Defeasance	\$ 20,000	of the 1982 Series A	\$ —	\$ 2,763	\$ 1,510
1992 A Refunding	\$ 3,370	of the 1985 Refunding Series			
	\$ 5,405	of the 1985 A Refunding Series			
	\$ 100,010	of the 1986 Refunding Series A			
	\$ 22,555	of the 1988 Refunding Series A			
	\$ 15,370	of the 1991 Refunding Series B			
	\$ 12,085	of the 1991 Series D	6,215	42,188	18,974
1993 A&B Refunding	\$ 86,180	of the 1974 Series			
	\$ 93,360	of the 1979 Series A			
	\$ 4,980	of the 1985 A Refunding Series			
	\$ 14,935	of the 1986 Refunding Series A			
	\$ 23,675	of the 1986 Refunding Series B			
	\$ 135,705	of the 1991 Refunding & Improvement Series B and C	—	38,870	35,337
1993 C Refunding	\$ 167,660	of the 1977 Refunding Series			
	\$ 1,565	of the 1979 Series A			
	\$ 900	of the 1985 Refunding Series			
	\$ 2,390	of the 1985 A Refunding Series			
	\$ 6,365	of the 1986 Refunding Series A			
	\$ 14,905	of the 1988 Refunding Series A			
	\$ 100,110	of the 1991 Refunding & Improvement Series B and C			
	\$ 279,905	of the 1991 Series D	279,905	72,311	57,477
1995 A Refunding	\$ 138,505	of the 1988 Refunding Series A	—	20,024	12,127
1995 B Refunding	\$ 175,330	of the 1987 Refunding Series A	—	40,758	24,936
1996 A Refunding	\$ 257,795	of the 1986 Refunding Series C	—	92,596	61,062
1996 B Refunding	\$ 5,925	of the 1986 Refunding Series A			
	\$ 5,830	of the 1986 Refunding Series C			
	\$ 62,325	of the 1986 Refunding Series D			
	\$ 6,940	of the 1987 Refunding Series A			
	\$ 4,155	of the 1988 Refunding Series A	—	4,831	2,346
Cash Defeasance	\$ 14,080	of the 1992 Series A			
	\$ 14,955	of the 1996 Series A	24,245	4,779	2,560
1997 A Refunding	\$ 100,000	of the 1978 Series			
	\$ 68,325	of the 1991 Series B			
	\$ 37,495	of the 1991 Series D	37,495	16,990	13,991
Commercial Paper	\$ 76,050	of the 1973 Series			
	\$ 105,605	of the 1977 Series			
	\$ 81,420	of the 1978 Series	—	2,099	1,447
1998 B Refunding	\$ 25,000	of the 1992 B Series	24,305	1,970	1,584
2001 A Refunding	\$ 10,000	of the 1991 Refunding & Improvement Series B	—	286	251
Total			\$ 372,165	\$ 340,465	\$ 233,602

The Authority issued Revenue Obligations Bonds, 2001 Refunding and Improvement Series A, on September 18, 2001, for the par amount of \$54,890,000. The purpose of the bonds was to finance a portion of Rainey Generating Station and to refund a portion of the 1991 Refunding and Improvement Series B Bonds. The refunding will save the Authority approximately \$668,000 over the life of the bonds resulting in an economic gain over the life of the bonds of approximately \$470,000.

On August 10, 2001, the Authority entered into a Forward Delivery Bond Purchase Agreement for the sale of \$108,035,000 Revenue Obligations, 2002 Refunding Series A Bonds (2002 A Bonds) to be delivered on or about April 3, 2002. This refunding will reduce the Authority's total debt service over the life of the bonds by approximately \$15,124,000 resulting in an economic gain over the life of the bonds of approximately \$8,573,000 after the bonds close.

The Authority's bond indentures provide for certain restrictions, the most significant of which are:

1. The Authority covenants to establish rates sufficient to pay all debt service, required lease payments, capital improvement fund requirements, and all costs of operation and maintenance of the Authority's electric system and all necessary repairs, replacements, and renewals thereof.
2. The Authority is restricted from issuing additional parity bonds unless certain conditions are met.

As of December 31, 2001, the Authority is in compliance with all debt covenants.

Note 5 – Commercial Paper:

The Board of Directors has authorized the issuance of commercial paper not to exceed \$500,000,000. The paper is issued for valid corporate purposes with a term not to exceed 270 days. For the years ended December 31, 2001 and 2000, the information related to commercial paper was as follows:

	2001	2000
Effective interest rate (at December 31)	1.71%	4.35%
Average annual amount outstanding (\$000)	\$ 332,438	\$ 367,991
Average maturity	50 days	69 days
Average annual effective interest rate	2.83%	4.13%

At December 31, 2001 the Authority had a Revolving Credit Agreement with Toronto-Dominion (Texas), Inc., Commerzbank Aktiengesellschaft, acting through its Atlanta agency and The Bank of Nova Scotia, acting through its New York agency for \$425,000,000. This agreement is used to support the Authority's issuance of commercial paper. There were no borrowings under the agreement during 2001 or 2000.

Commercial Paper outstanding at December 31, was as follows:

	2001	2000
	(Thousands)	
Commercial Paper-Gross	\$ 308,984	\$ 331,614
Less: Unamortized Discount on Taxable Commercial Paper	19	36
Commercial Paper-Net	\$ 308,965	\$ 331,578

Note 6 – Summer Nuclear Station:

The Authority and South Carolina Electric and Gas (SCE&G) are parties to a joint ownership agreement providing that the Authority and SCE&G shall own the Summer Nuclear Station with undivided interests of 33 1/3% and 66 2/3%, respectively. SCE&G is solely responsible for the design, construction, budgeting, management, operation, maintenance, and decommissioning of the Summer Nuclear Station, and the Authority is obligated to pay its ownership share of all costs relating thereto. The Authority receives 33 1/3% of the net electricity generated. At December 31, 2001 and 2000, the plant accounts included approximately \$491,000,000 and \$494,000,000 representing the Authority's investment, including capitalized interest, in the Summer Nuclear Station. For the years ended December 31, 2001 and 2000, the Authority's operation and maintenance expenses included \$47,683,000 and \$45,593,000, respectively, for the Summer Nuclear Station.

Nuclear fuel costs are being amortized based on energy expended, which includes a component for estimated disposal costs of spent nuclear fuel. This amortization is included in fuel expense and is recovered through the Authority's rates.

SCE&G has an on-site spent fuel storage capability until 2007. It expects to be able to expand its storage capacity to accommodate the spent fuel output for the life of the plant through pool reracking, dry cask storage, or other technology as it becomes available.

The Nuclear Regulatory Commission (NRC) requires a licensee of a nuclear reactor to provide minimum financial assurance of its ability to decommission its nuclear facilities. In compliance with the applicable NRC regulations, the Authority established an external trust fund and began making deposits into this fund in September 1990. In addition to providing for the minimum requirements imposed by the NRC, the Authority makes deposits into an internal fund in the amount necessary to fund the difference between a site-specific decommissioning study completed in 2000 and the NRC's imposed minimum requirement. Based on these estimates, the Authority's one-third share of the estimated decommissioning costs of the Summer Nuclear Station equals approximately \$143,419,000 in 1999 dollars. The Authority accrues for its share of the estimated decommissioning costs over the remaining life of the facility. These costs are being recovered through the Authority's rates. See Note 1, item M for a discussion of issued, but not yet effective, accounting pronouncement FASB 143.

Based on current decommissioning cost estimates developed by SCE&G, these funds, which totaled approximately \$84,070,000 (adjusted to market) at December 31, 2001, along with future deposits into both the external and internal decommissioning accounts and investment earnings, are estimated to provide sufficient funds for the Authority's one-third share of the total decommissioning costs.

The Energy Policy Act of 1992 gave the Department of Energy (DOE) the authority to assess utilities for the decommissioning of its facilities used for the enrichment of uranium included in nuclear fuel costs. In order to decommission these facilities, the DOE estimates that it would need to charge utilities a total of \$150,000,000, indexed for inflation, annually for 15 years based on enrichment services used by utilities in past periods. Based on an estimate from SCE&G covering the 15 years, the Authority's remaining one-third share of the liability at December 31, 2001 totals \$1,197,000. Such amount has been deferred and will be recovered through rates as paid. These costs are included on the accompanying balance sheets in "Deferred debits and other noncurrent assets-Other" and "Other deferred credits and noncurrent liabilities."

Note 7 – Leases:

The Authority has capital lease contracts with Central Electric Power Cooperative, Inc. (Central), covering a steam electric generating plant, transmission facilities, and various other facilities. The remaining lease terms range from 1 to 13 years. Quarterly lease payments are based on a sum equal to the interest on and principal of Central's indebtedness to the Rural Utilities Service (formerly Rural Electrification Administration) for funds borrowed to construct the above-mentioned facilities. The Authority has options to purchase the leased properties at any time during the period of the lease agreements for sums equal to Central's indebtedness remaining outstanding on the properties at the time the options are exercised or to return the properties at the termination of the lease. The Authority plans to exercise each and every option to acquire ownership of such facilities prior to expiration of the leases.

Future minimum lease payments on Central leases at December 31, 2001 were:

Year ending December 31:	Amount (Thousands)
2002	\$ 3,818
2003	3,819
2004	3,708
2005	3,604
2006	3,388
2007-2011	12,653
2012-2014	2,658
Total minimum lease payments	33,648
Less amounts representing interest	6,716
Balance at December 31, 2001	\$ 26,932

Property under capital leases and related accumulated amortization included in utility plant at December 31, 2001 totaled \$93,925,000 and \$73,234,000, respectively and at December 31, 2000 totaled \$96,556,000 and \$73,215,000, respectively.

Operating lease payments totaled \$5,989,000 and \$5,284,000 during the years ended December 31, 2001 and 2000, respectively. Included in these operating leases are the leased coal cars, which are reflected in fuel inventory. The terms of the current coal car leases vary from one month to seven years, with the seven-year lease expiring in 2003.

The lease amounts for the coal cars to be paid in calendar year 2002 and 2003 amount to \$4,373,000 and \$2,796,000, respectively.

Note 8 – Contracts with Electric Power Cooperatives:

Power supply and transmission services are provided to Central Electric Power Cooperative Inc. (Central) in accordance with a power system coordination and integration agreement (the “Coordination Agreement”). In addition, the Authority is the sole supplier of Central’s energy needs excluding energy Central receives from the Southeastern Power Administration and SCE&G.

Saluda River Electric Cooperative Inc. (Saluda) began receiving power from the Authority on January 1, 2001 pursuant to a long-term power supply agreement between Saluda and the Authority (the “Power Sales Agreement”). The Power Sales Agreement was to terminate upon the earlier of (i) two years notice that Saluda has disposed of its interest in the Catawba Nuclear Station or (ii) January 31, 2009. Pursuant to the Power Sales Agreement, the Authority serves all of Saluda’s power needs over and above that which it receives from its ownership interest in the Catawba Nuclear Station, its Southeastern Power Administration entitlements, its diesel powered generators, and a small run of the river hydroelectric plant. On October 25, 2001 Saluda notified the Authority in writing that Saluda would be unable to pay the power usage bill for September 2001 due to its cash position and failed to make its payment to the Authority in October. Pursuant to the terms of the Power Sales Agreement, the Authority notified Saluda and Central that the Power Sales Agreement terminated on October 25, 2001 and that subject to the terms of the Wholesale Power Contract between Central and Saluda, the Authority was thereafter providing Saluda’s power requirements to Central under the Coordination Agreement. Subsequently, the Authority has billed Central for Saluda’s power usage under the Coordination Agreement and Central has paid such bills when due. Notwithstanding Central’s payments, Central has notified the Authority that Central disputes its obligation to serve Saluda under its wholesale power contract with Saluda. The Authority, Central and Saluda are discussing the applicable terms and conditions of service under their respective agreements. See unaudited Subsequent Event in Note 13, item B. The Authority is unable to predict the outcome of such discussions. However, the Authority believes that it will continue to serve Saluda either pursuant to the provisions of the Power Sales Agreement or through

Central pursuant to the provisions of the Coordination Agreement. The change in the Authority’s total revenues from serving Saluda either through Central under the Coordination Agreement or the Power Sales Agreement is not expected to have a material adverse impact on the Authority’s results of operations or financial position.

Saluda has notified Central and the Authority that Saluda and the Saluda Cooperatives intend to pay Central and the Authority for power service. As of December 31, 2001 Saluda owes the Authority approximately \$5.4 million, which includes interest, for power received under the Power Sales Agreement. At Saluda’s request, the Authority is negotiating payment terms with Saluda for the full amount plus interest through equal monthly payments during the period March 2002 through December 2002. Saluda has indicated that the Saluda Cooperatives will guarantee such payments in the event Saluda is unable to pay the Authority. The Authority is unable to predict the outcome of these negotiations or if Saluda will make further payments to the Authority or Central.

Sales to Saluda amounted to approximately 8.9% of the Authority’s revenues for the period January 1, 2001 through October 25, 2001.

Note 9 – Commitments and Contingencies:

Budget - The Authority’s capital budget provides for expenditures of approximately \$337,685,000 during the year ending December 31, 2002 and \$690,781,000 during the two years thereafter. These expenditures include \$6,479,000 associated with new generating facilities being constructed to begin operations in 2002, \$459,010,000 for future generating facilities and \$231,879,000 for environmental compliance expenditures. The total cost, including the financing costs, of the new generating facilities to begin operations in 2002 is estimated to be \$397,000,000. Capital expenditures will be financed by internally generated funds and a combination of taxable and tax-exempt debt.

Purchase Commitments - The Authority has contracted for long-term coal purchases under contracts with estimated outstanding minimum obligations after December 31, 2001 as follows:

Year ending December 31:	Amount (Thousands)
2002	\$ 126,936
2003	115,024
2004	85,278
2005	85,590
2006	43,230
2007-2008	87,735
Total	\$ 543,793

The Authority’s outstanding minimum obligations under two existing long-term purchased power contracts as of December 31, 2001 were approximately \$85.9 million and \$19.6 million with remaining terms of 33 and 2 years, respectively. In addition, the Authority has one short-term purchased power contract with minimum obligations of approximately \$3 million with a term of one year or less beginning in 2002.

The Authority has commitments for nuclear fuel enrichment and fabrication contracts which are contingent upon the operating requirements of the nuclear unit. As of December 31, 2001, these commitments total approximately \$76.9 million over the next 8 years.

The Authority has entered into a long-term service agreement with General Electric International Inc. in the approximate amount of \$76.0 million at the Rainey Generation Station. The contract term is effective through 2009. The agreement provides a service director, initial spare parts, parts and services for specified planned and unplanned maintenance outages and remote monitoring and diagnostics of the turbine generators. The agreement contains certain guarantees pertaining to unit availability, performance and NOx emissions and can be cancelled on Unit 1 after the first hot gas path inspection for \$3 million and on Unit 2 after the first combustion inspection for \$1,250,000.

Risk Management - The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions. The Authority purchases commercial insurance to cover these risks, subject to coverage limits and various exclusions. Settled claims resulting from these risks have not exceeded commercial

insurance coverage in any of the past three years. Policies are subject to deductibles ranging from \$5,000 to approximately \$850,000 with the exception of named storm losses which carry deductibles up to \$3,000,000. Also a \$1 million general liability self-insured layer exists between the Authority’s primary and excess liability policies.

The Authority is self-insured for auto, dental, and environmental incidents that do not arise out of an insured event. The Authority purchases commercial insurance, subject to coverage limits and various exclusions, to cover automotive exposure in excess of \$2 million per incident. Risk exposure for the dental plan is limited by plan provisions. There have been no third-party claims for environmental damages for 2001 or 2000. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

At December 31, 2001, the amount of the self-insured liabilities for auto, dental, worker’s compensation and environmental remediation was \$1.4 million. The liability is the Authority’s best estimate based on available information. Changes in the reported liability are as follows:

	2001	2000
	(Thousands)	
Unpaid claims and claim expenses at beginning of year	\$ 1,907	\$ 2,135
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	1,138	1,252
Increases (decreases) in provision	37	(14)
Payments for current and prior years	1,656	1,466
Total unpaid claims and claim expenses at end of year	\$ 1,426	\$ 1,907

The Authority appealed the decision and remanded the case to the District Court. No estimate relative to potential loss to the Authority can be made at this time.

An action was instituted in State Court by a number of leaseholders of land offered for sale to them by the Authority, the lessor. The Plaintiffs allege that the property was improperly appraised and offered to them at an unfair price. Summary Judgement has been granted in the favor of the Authority, and Plaintiffs have appealed the decision.

Contract Dispute with Central - Central, under the terms of the contract with the Authority, has the right to audit costs billed to them under the cost of service contract. Management has recorded a liability at December 31, 2001, of approximately \$10.7 million for exposure related to Central audit issues through 2001.

Note 10 – Retirement Plan:

Substantially all Authority regular employees must participate in one of the components of the South Carolina Retirement System (System), a cost sharing, multiple-employer public employee retirement system, which was established by Section 9-1-20 of the South Carolina Code of Laws. The payroll for employees covered by the System for each of the years ended December 31, 2001 and 2000 was \$83,045,000 and \$82,216,000, respectively.

Vested employees who retire at age 65 or with 28 years of service at any age are entitled to a retirement benefit, payable monthly for life. The annual benefit amount is equal to 1.82 percent of their average final compensation times years of service. Benefits fully vest on reaching five years of service. Reduced retirement benefits are payable as early as age 55 with 25 years of service. The System also provides death and disability benefits. Benefits are established by state statute.

Article X, Section 16 of the South Carolina Constitution requires that all state-operated retirement plans be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws (as amended) prescribes requirements relating to membership, benefits, and employee/employer contributions.

Employees are required by state statute to contribute 6 percent of salary. The Authority is required by the same statute to contribute 7.55 percent of total payroll. The contribution requirement for the years ended December 31, 2001

and 2000 was \$6,540,000 and \$6,230,000, respectively, from the Authority and \$4,996,000 and \$4,945,000, respectively from employees. The Authority made 100% of the required contributions for each of the years ended December 31, 2001 and 2000.

The System issues a stand alone financial report that includes all required supplementary information. The report may be obtained by writing to: South Carolina Retirement System, P.O. Box 11960, Columbia, S.C. 29211

The Authority also provides compensation benefits to certain employees designated by management and the board of directors under the Supplemental Executive Retirement Plan (SERP). The cost of these benefits is accrued on an actuarially determined basis. The accrued liability at December 31, 2001 and 2000 was \$6,419,000 and \$6,197,000, respectively.

Note 11 – Other Postretirement Benefits:

The South Carolina Retirement System provides certain health, dental, and life insurance benefits for retired employees of the Authority. Substantially all of the Authority's employees may become eligible for these benefits if they retire at any age with 28 years of service or at age 60 with at least 20 years of service. Currently, approximately 405 retirees meet these requirements. The cost of the health, dental, and life insurance benefits are recognized as expense as the premiums are paid. For the years ended December 31, 2001 and 2000, these costs totaled \$1,495,000 and \$1,149,000, respectively.

During their first ten years of service, full-time employees can earn up to 15 days vacation leave per year. After ten years of service, employees earn an additional day of vacation leave for each year of service over ten until they reach the maximum of 25 days per year. Employees earn annually a half day per month plus three additional days at year-end for sick leave.

Employees may carry forward up to 45 days of vacation leave and 180 days of sick leave from one calendar year to the next. Upon termination, the Authority pays employees for accumulated vacation leave at the pay rate then in effect. In addition, the Authority pays employees upon retirement 20 percent of their accumulated sick leave at the pay rate then in effect. The Authority recognizes these costs as expenses in the period incurred.

Note 12 – Credit Risk and Major Customers:

Concentrations of credit risk with respect to the Authority's receivables are limited due to the large number of customers in the Authority's customer base and their dispersion across different industries. The Authority maintains an allowance for uncollectible accounts based upon the expected collectibility of all accounts receivable.

Sales to two major customers for the years ended December 31, 2001 and 2000 were as follows:

	2001	2000
	(Thousands)	
Central (including Saluda)	\$ 473,000	\$379,000
Alumax of South Carolina	\$ 99,000	\$ 89,000

No other customer accounted for more than 10 percent of the Authority's sales for either of the years ended December 31, 2001 or 2000.

Note 13 – Subsequent Events:

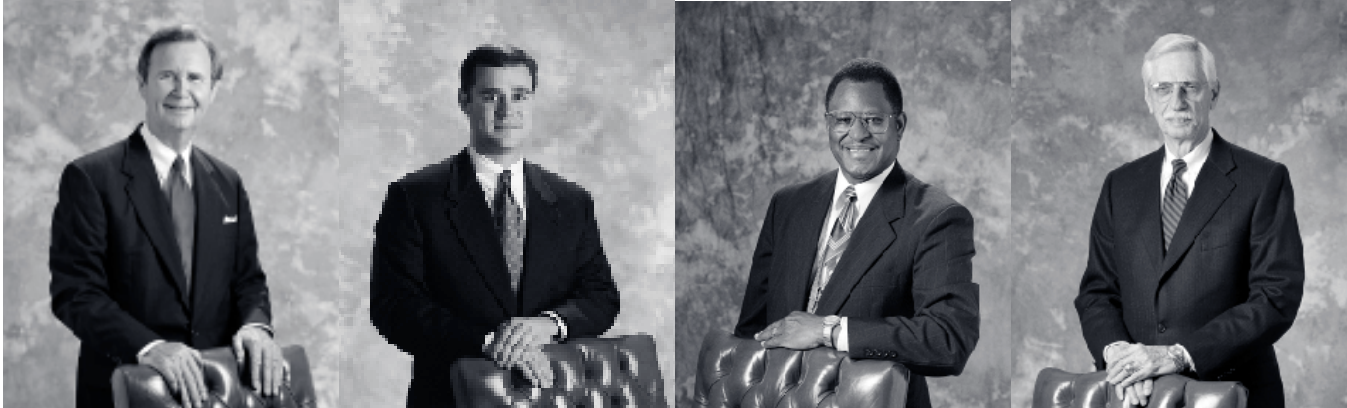
A - On January 25, 2002, the Authority's Board of Directors authorized the sale of \$372,915,000 Revenue Obligations, 2002 Series B & C (2002 B & C Bonds). The 2002 Tax-Exempt Series B (2002 B Bonds) totaled \$281,140,000. The 2002 Taxable Series C (2002 C Bonds) totaled \$91,775,000 and were issued as taxable bonds to comply with the IRS Private Use Regulations. The 2002 B & C Bonds were issued on February 13, 2002.

The proceeds will be used to fund a portion of the cost of constructing a 580-MW coal-fired, steam-electric generating unit at the Cross Generating Station, three 80-MW simple cycle combustion turbines at the Rainey Generating Station and environmental compliance.

The 2002 B & C Bonds were sold at a combined all-in-true interest cost of 5.29 percent and mature between January 1, 2005 and 2037.

B (Unaudited) - On March 4, 2002, Saluda filed in the South Carolina Court of Common Pleas for the Eighth Circuit an Action for Declaratory Judgement requesting the court to order among other things that Central has a legal obligation and contractual duty to provide electrical power and energy to Saluda pursuant to Saluda's wholesale power contract with Central. At the same time, Saluda also filed with the court an Action for an Injunction With a Motion for a Temporary Restraining Order to require Central to continue to serve Saluda under the wholesale power contract until the Action for Declaratory Judgement is adjudicated. Central's response to the litigation is pending. The Authority is unable to predict the outcome of such litigation.

BOARD OF DIRECTORS



H. Donald McElveen, P.E.
Chairman

J. Calhoun Land IV
First Vice Chairman

Julius Barnes
Second Vice Chairman

Patrick T. Allen



Merl F. Code

Laura M. Fleming

Frances B. Gilbert

Willie E. Givens Jr.



John R. Jordan Jr.

Joseph J. Turner Jr.

J. Mike Wooten

BOARD OF DIRECTORS

H. Donald McElveen, P.E.
Chairman
Columbia, S.C.

J. Calhoun Land IV
First Vice Chairman
Represents 6th Congressional District
Manning, S.C.

Julius Barnes
Second Vice Chairman
Represents Berkeley County
St. Stephen, S.C.

Patrick T. Allen
Represents the electric cooperatives
of South Carolina
Columbia, S.C.

Laura M. Fleming
Represents 5th Congressional District
Lancaster, S.C.

Frances B. Gilbert
Represents Horry County
Conway, S.C.

Willie E. Givens Jr.
Represents 1st Congressional District
Charleston, S.C.

John R. Jordan Jr.
Represents 2nd Congressional District
Columbia, S.C.

Joseph J. Turner Jr.
Represents 3rd Congressional District
Clemson, S.C.

J. Mike Wooten
Represents Georgetown County
Georgetown, S.C.

Merl F. Code
Represents 4th Congressional District
Greenville, S.C.

Changes in the Board

On Aug. 30, 2001, H. Donald McElveen replaced Alec B. McLeod as chairman of the board of directors.

ADVISORY BOARD

James H. Hodges
Governor

Charles M. Condon
Attorney General

James A. Lander
Comptroller General

James M. Miles
Secretary of State

Grady L. Patterson
State Treasurer

MANAGEMENT

President and CEO	John H. Tiencken Jr.*
Executive Vice President and Chief Operating Officer	Bill McCall*
Executive Vice President and Chief Legal Officer	John S. West*
Senior Vice Presidents:	
Power Delivery	Terry L. Blackwell
Corporate Planning and Bulk Power	Lonnie N. Carter*
Generation	Maxie C. Chaplin
Community Development and Corporate Communications	Ben Cole
Administration and Finance	Elaine G. Peterson*
Vice Presidents:	
Marketing and Retail Services	Zack W. Dusenbury
Human Resource Management	Ronald H. Holmes
Engineering and Construction Services	Byron C. Rodgers Jr.
Fossil & Hydro Generation	R.M. Singletary
Corporate Communications	Jerry L. Stafford
Planning and Power Supply	William R. Sutton
Controller	Glenda W. Gillette
Treasurer	H. Roderick Murchison
Auditor	Thomas L. Richardson
Corporate Secretary	W. Glen Brown Jr.

*Member of executive management team

SCHEDULE OF REFUNDED AND DEFEASED BONDS OUTSTANDING

As of December 31, 2001
(In Thousands)

Call Date	July 1, 2002		July 1, 2002		At Maturity		At Maturity	
Series	1991-D		1992-B		1992-A REF (6)		1996-A REF (6)(2)	
Original Maturity July 1	Int. Rate	Amount	Int. Rate	Amount	Int. Rate	Amount	Int. Rate	Amount
2002	6.00	6,215	5 1/2	380	5.80	7,400	6 1/4	4,500
2003			5.60	405				
2004			5.70	435				
2005			5.80	460				
2006	6.40	6,590	5.90	490	6.20	6,680	6 1/4	5,665
2007			5.90	525				
2008			6.00	555				
2009			6.00	595				
2010			6.00	630				
2011	6 1/2	7,010 *	6.00	670				
2012	6 1/2	7,470 *	6.00	715				
2013	6 1/2	7,955 *	6.00	765				
2014	6 1/2	8,470 *	6.00	810				
2015			6.10	865 *				
2016			6.10	920 *				
2017			6.10	980 *				
2018			6.10	1,045 *				
2019			6.10	1,115 *				
2020			6.10	1,185 *				
2021			6.10	1,260 *				
2022			6.10	1,345 *				
2023			6.10	1,430 *				
2024	6 1/2	130,275 *	6.10	1,525 *				
2025			6.10	1,625 *				
2026			6.10	1,730 *				
2027			6.10	1,845 *				
2028								
2029								
2030								
2031	6 5/8	149,630 *						
2032								
Totals per Series		<u>323,615</u>		<u>24,305</u>		<u>14,080</u>		<u>10,165</u>
Totals per Call Date		<u>347,920</u>				<u>24,245</u>		

*Term Bonds

	PRIORITY BONDS		REVENUE BONDS																REVENUE OBLIGATIONS														
Maturity Date July 1	1967 Series		1992 A Refunding Series		1993 A&B Refunding Series		1993 C Refunding Series (2)		1995 A Refunding Series (2)		1995 B Refunding Series (2)		1996 A Refunding Series (2)		1996 B Refunding Series (2)		1997 A Refunding Series (2)		1998 A Refunding Series (2)		1998 B Refunding Series (2)		1999 A Tax-Exempt Series (2)		1999 B Taxable Series (2)		2001 A Improvement Series (2)		2001 A Refunding Series		Total Principal Maturities (\$)	Total Revenue Interest (\$)	Total Debt Service (\$)
	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.			
2002	4.10	3,705 *			5.00	9,810	4 1/2	3,625	6 1/4	5,700	5.35	4,260	6 1/4	1,450			5.00	1,925	5.00	27,585	4.00	595			6.53	5,000			3 1/2	5,505	69,160	122,130	191,290
2003	4.10	3,870 *	6.00	5,940	5.20	6,280	4 1/2	12,030	6 1/4	7,890	5.40	3,410	6 1/4	1,645					5.00	20,680	4.00	625	5.00	5,360	6.68	19,005					86,735	118,821	205,556
2004	4.10	4,045 *			5.20	10,115	4 1/2	12,590			6 1/2	10,160	6 1/4	3,565							4 1/8	655	5 3/8	5,670	6.85	28,955					75,755	113,865	189,620
2005	4.10	4,230 *	6.20	6,290	5.30	7,080	4 5/8	6,440			6 1/2	10,765	6 1/4	4,645			5.00	2,025			4 1/4	685	5.00	5,990	6.97	4,225	3 1/4	2,020			54,395	110,525	164,920
2006	4.10	4,420 *			5.40	10,400 (3)	4 3/4	13,310			6 1/2	10,350									4.40	715	5 3/8	6,335	7.07	4,455	3.40	2,085	4.00	3,100	55,170	107,243	162,413
2007			6.20	7,100	5 1/2	8,410	4 7/8	11,755													4 1/2	750	4.80	6,695	7.12	4,705	4.00	2,155			41,570	104,912	146,482
2008			6.20	7,540	5 1/2	10,920	5.00	18,230	6 1/8	815 *	5.70	3,255	6 1/2	3,730							4 1/2	785	5 1/2	7,070	7.17	4,980	4 1/2	2,240			59,565	101,986	161,551
2009			6 3/8	8,005 *	5 1/2	9,765	5.00	1,470					5 3/4	1,035 *							4 1/2	825	5 1/2	7,480	7.22	5,270	4 1/2	2,340			36,190	99,248	135,438
2010			6 3/8	8,515 *	5 1/2	11,480	5.10	19,210 (4)	6 1/8	860 *	5.80	3,485	5 3/4	15,170 *			4 7/8	2,505			4.70	865	5 1/2	7,940	7.27	5,590 *		2,450 (7)			78,070	96,272	174,342
2011			6 3/8	10,835 *	5 1/2	11,240	5.10	16,740 *	6 1/8	915 *	5.80	3,705	5 3/4	6,165 *			4.90	9,780			4 3/4	905	5 1/2	18,325	7.27	38,390 *					117,000	90,362	207,362
2012			6 3/8	11,520 *	5.60	12,100 (3)	5.00	19,040 *	6 1/8	970 *	5 7/8	3,940	5 3/4	5,615 *			5.00	15,040			5 1/4	955 *	5 5/8	10,910	7.32	1,465	5.00	2,565			84,120	84,757	168,877
2013			6 3/8	12,265 *	5.60	29,300 (3)	5.00	16,645 *	6 1/8	1,025 *	5 7/8	4,180	5 3/4	5,925 *			5.00	15,815			5 1/4	1,010 *	5 5/8	11,540	7.37	1,580	5.00	2,690			101,975	79,929	181,904
2014			6 3/8	1,935 *	5 1/2	38,255 *	5.00	9,255 *	6 1/8	4,460 *	5 7/8	4,430	5 3/4	6,530 *			5.00	16,630			5.00	1,065 *	5 3/4	12,220	7.42	1,700	5.00	2,830			99,310	74,383	173,693
2015			6 3/8	2,055 *	5 1/2	18,905 *	5.00	15,825 *	6 1/4	8,275 *	5 7/8	4,705	5 3/4	7,005 *			5.00	12,980			5.00	1,120 *	5 3/4	12,940			5 1/4	2,965			86,775	68,746	155,521
2016			6 3/8	2,275 *	5 1/2	19,880 *	5.00	23,265 *	6 1/4	4,670 *	5 7/8	5,000 *	5 3/4	13,075 *			5.00	9,095 *			5.00	1,180 *	5 1/2	13,690			5 1/4	3,125			95,255	63,813	159,068
2017			6 3/8	2,400 *	5 1/2	20,920 *	5.00	19,045 *	6 1/4	680 *	5 7/8	5,320 *	5 3/4	19,650 *			5.00	9,485 *			5.00	1,245 *	5 1/2	14,470			5 1/4	3,290			96,505	58,638	155,143
2018			6 3/8	2,570 *	5 1/2	22,000 *	5.00	14,055 *	6 1/4	720 *	5 7/8	5,685 *	5 3/4	20,735 *			5.00	22,410 *			5.00	1,310 *	5 1/2	9,230			5 1/4	2,800			101,515	53,306	154,821
2019			6 3/8	9,570 *	5 1/2	43,270 *	5 1/8	18,555 *	6 1/4	10,400 *	5 7/8	6,085 *	5 3/4	21,875 *			5.00	17,755 *			5.00	1,380 *	5 1/2	9,755			5 1/4	2,945			141,590	47,443	189,033
2020			6 3/8	7,695 *	5 1/2	42,015 *	5 1/8	23,880 *	6 1/4	23,100 *	5 7/8	6,515 *	5 3/4	23,155 *			5.00	380 *			5.00	1,455 *	5 1/2	10,305 *			5 1/4	3,100			141,600	39,419	181,019
2021			6 3/8	6,870 *	5 1/2	18,995 *	5 1/8	27,120 *	6 1/4	24,915 *	5 7/8	6,970 *	5 3/4	38,535 *			5.00	400 *			5.00	1,530 *	5 1/2	10,890 *			4 3/4	3,265 *			139,490	30,805	170,295
2022							5.00	29,460 *	6 1/4	11,505 *	5 7/8	34,165 *	5 3/4	24,185 *	5 1/2	11,435 *	5.00	420 *			5.00	1,615 *	5 1/2	11,505 *			4 3/4	3,420 *			127,710	22,553	150,263
2023							5.00	28,595 *			5 7/8	30,270 *			5 1/2	10,070 *	5.00	440 *			5.00	1,700 *									71,075	17,060	88,135
2024							5.00	28,165 *									5.00	465 *			5.00	1,790 *									30,420	14,365	44,785
2025							5.00	29,575 *									5.00	485 *			5.00	1,000 *									31,060	12,828	43,888
2026							5 1/8	31,055 *									5.00	510 *													31,565	11,243	42,808
2027							5 1/8	26,585 *									5.00	6,595 *													33,180	9,589	42,769
2028							5 1/8	21,890 *									5.00	12,985 *													34,875	7,857	42,732
2029							5 1/8	23,010 *									5.00	13,635 *													36,645	6,041	42,686
2030							5 1/8	24,185 *									5 1/8	14,315 *													38,500	4,124	42,624
2031							5 1/8	25,425 *									5 1/8	15,050 *													40,475	2,100	42,575
2032							5 1/8	13,030 *									5 1/8	7,710 *													20,740	531	21,271

Add: Total Outstanding As of 12/31/01	20,270	113,380	361,140	583,060	106,900	166,655	223,690	21,505	208,835	48,265	25,760	198,320	125,320	46,285	8,605	2,257,990	1,774,894	4,032,884
Bonds Redeemed As of 12/31/01	31,330	41,085	23,985	48,300	32,785	10,420	33,190	61,965	5,720	52,620	1,055	0	0	0	0	342,455		
Bonds Refunded As of 12/31/01	0	14,080 (6)	0	0	0	0	10,165 (6)	0	0	0	0	0	0	0	0	24,245		
Net: Original Issue Amt.	51,600	168,545	385,125	631,360	139,685	177,075	267,045	83,470	214,555	100,885	26,815	198,320	125,320	46,285	8,605	2,624,690		

*Term Bonds

(1) Rounding may cause small variances.

(2) Maturities are on January 1 instead on July 1.

(3) These are floating auction tax-exempt ("FLOATs") and residual interest

tax-exempt ("RITES") bonds which have a semiannual bond equivalent yield of 5.40% per annum on those maturing 6/30/06 and 5.60% per annum on those with a final maturity of 6/28/13.

(4) \$10,210,000 are serial bonds and \$9,000,000 are term bonds.

(5) Included in year that payment is made.

(6) Cash defeased to maturity, \$14,080,000 of the 1992A Refunding Bonds due 7/1/02 and 7/1/06 and \$10,165,000 of the 1996A Refunding Bonds due 1/1/02 and 1/1/06. Bonds are subject to the original call provisions as stated

in each official statement. (For Details on Calls See "Schedule of Refunded and Defeased Bonds Outstanding.")

(7) The 2010 maturity has a split coupon; \$2,000,000 at 5.00% and \$450,000 at 4.00%.

Conway 100 Elm St. Conway, SC 29526 (843) 248-5755	North Myrtle Beach 1000 2nd Ave. North North Myrtle Beach, SC 29582 (843) 249-3505
Garden City/Murrells Inlet 900 Inlet Square Dr. Murrells Inlet, SC 29576 (843) 651-1598	Pawleys Island 126 Tiller Rd. Pawleys Island, SC 29585 (843) 237-9222
Loris 3701 Walnut St. Loris, SC 29569 (843) 756-5541	St. Stephen 1172 Main St. St. Stephen, SC 29479 (843) 567-3346
Moncks Corner One Riverwood Drive Moncks Corner, SC 29461 (843) 761-4060	
Myrtle Beach 1703 Oak St. Myrtle Beach, SC 29577 (843) 448-2411	



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